



Managing International Business Constraints Through Business Diplomacy

Rui Manuel Monteiro

Master in International Economics and Management

Supervised by

**Raquel Filipa do Amaral Chambre de Meneses Soares
Bastos Moutinho**

September, 2013

Para a Carla Morais

Pelo Filipe Morais Monteiro

Pelo Bernardo Morais Monteiro

A need to transmit knowledge and skills, a desire to acquire them,
are constants of the human condition.

Mastery and apprenticeship, instruction and its acquisition
must continue so long as societies exist.

Life as we know it could not carry on without them.

George Steiner

Lessons of the Masters, 2004

Biographical Note

Rui Manuel Ribeiro Monteiro was born in 1976 in Vila Nova de Gaia, son of Manuel Monteiro and Maria Ribeiro. He concluded a professional course (Employment and Professional Training Institute) as an Accounting and Business Technician in 1996 (with a final result of 17 (/20)), going on to work, in 1997, at Universo Banco Directo (SONAE Group). In 1998, he began work at the, then, Porto Derivatives Exchange (now NYSE.Euronext Lisbon, NYSE.EURONEXT Group).

In 2000 he began his career on the capital markets, as a Trader (having obtained certification as a Euronext Lisbon Cash Market Operator in June 2001), a Project Manager, an Account Manager (registered as a prospector at the CMVM), in brokers and asset management companies until 2005. During this period, in 2002, he did a Post-Graduate course in Corporate Management at the Business and Administration Institution (ISAG).

Between 2005 and 2008 he returned to the NYSE.EURONEXT Group (Interbolsa) and since then has worked as an independent consultant in the capital markets sector.

In 2008 he did a Preparation and Evaluation Free Course for those Over 23 at the University of Minho, achieving 1st place, and subsequently, going on to obtain a Degree in International Relations at the Economic and Business School of that University, which he concluded in 2011 with a final result of 16 (/20).

In 2011 he enrolled in the Masters Degree of International Economics and Business at the Economics Faculty of the University of Porto.

During 2000 and 2001 he collaborated fortnightly with the Diário do Minho (Minho daily newspaper), in the Economy supplement, with an article entitled Economic Biographies. Since then he has collaborated occasionally, most recently on the issue of Economic Diplomacy.

He lives in Porto, is married and is the father of two sons.

Acknowledgements

To my Supervisor Professor Raquel Meneses, for welcoming the investigational subject that I proposed to the masters' scientific committee, for her constant support during the most difficult times of this year, for her unending encouragement and for continually challenging me to go above and beyond in order to achieve excellence. On moving towards the end of this journey, because of this and much more, she has become my *maître à penser*.

To all the companies and people that accepted the invitation to participate in this empirical investigation, regardless of whether they would be included in the final result:

- To Bluepharma, more specifically Paulo Barradas Rebelo (Founder, Chairman and Executive President), who opened the doors to the company and allowed me to interview another informant, André Freitas (Head of Business Development);
- To CGC Genetics, specifically Professor Purificação Tavares (Founder, CEO and Clinical Director);
- To ColorADD, specifically Miguel Neiva (Founder and CEO);
- To Delta, specifically Alberto Pinto (General Manager of International Markets);
- To EDP, more specifically Miguel Setas (Vice-President of EDP Brasil), who opened the doors to the company and allowed me to interview another informant, Miguel Coutinho (Director of Institutional Relations and Stakeholders);
- To Frulact, specifically Pedro Azevedo (Business Development Manager);
- To Galp, specifically Manuel Ramalheite (Head of Consultancy and Mergers & Acquisitions);

- To Jerónimo Martins, more specifically Alexandre Soares dos Santos (Chairman of the Board of Directors), who opened the doors of the company and allowed me to interview another informant Marta Lopes Maia (Member of the Managing Committee);
- To Mota-Engil, specifically António Mota (Chairman of the Board of Directors), who opened the doors to the company and allowed me to interview another informant, Maria Isabel Peres (Executive Member of the Board of Directors);

To all the teachers of the 6th edition of the MEGI (2011/2013) that in various ways are reflected in this work, for their support, in some cases with gaining access to the companies: Ana Paula Africano (CGC Genetics), Celeste Varum, Helena Santos, Maria Natália Gonçalves, Miguel Fonseca, Pedro Campos, Raquel Meneses (ColorADD), Rosa Forte, Rosário Moreira (Frulact) and Rui Alves.

To Professor Joseph Marques of King's College London, for his interest in this study and for his contribution to it through the exchange of ideas with my supervisor.

To the Documentation, Information and Archive Centre of the Economics Faculty Library of the University of Porto, for their continued efforts in answering all my bibliographic requests, as well as the numerous authors that were kind enough to send me their work.

To my course colleagues with whom I shared these last two years, from who I learnt a considerable amount and especially those I worked with on various projects - Alberto Lucas, Miguel Torre, Tatiana Monteiro, Yevheniya Vladimirova - and especially to Silvana Araújo with whom I worked more closely.

To my friends Luís Fernandes, Filipa Gomes, Carlos Pereira, Pedro Silva and Susana Machado for the support they have always shown throughout this journey.

To my teachers of the International Relations Degree at the Economics and Business College of the University of Minho, who planted the seed for this project and who inspired me to pursue it: Professor Luís Lobo-Fernandes and Professor Isabel Estrada Carvalhais (course director).

To EURAM (European Academy of Management) and the two blind reviewers for their evaluation and commentaries that allowed me to improve this work based on the paper submitted that was presented at the 2013 annual conference.

To EMAB (EuroMed Academy of Business) and the two blind reviewers for their evaluation and commentaries that allowed me to improve this work based on the paper submitted that was presented at the 2013 annual conference.

To EIBA (European International Business Academy) and the three blind reviewers for their evaluation and commentaries that allowed me to improve this work based on the paper submitted that will be presented at the 2013 annual conference.

To two people, with whom I have had the opportunity to work and get to know and who I now have the privilege of calling friends. They have inspired me in this project as well as in various parts of my life: José Manuel Ferreira and Miguel Cunha.

To Cristina de Azevedo who played a fundamental role in promoting my access to the majority of the companies in this research, without which this study would, certainly, not have been as rich, as well as for her friendship for which I am honoured.

To my parents for their example, to my brother for his companionship, to my parents-in-law for their support and to my aunt Maria and her family for the logistical support they have provided during my various trips to Lisbon.

To my wife and my two sons for their unending patience, understanding and encouragement during these last two years, whom I hope to repay *tomorrow*.

Abstract

Globalization has dramatically changed the landscape of international business and multinational corporations, increasing their role, in addition to their responsibility, before society as a whole, thus facing rising demands from the surrounding environment in which they operate, especially when engaging with foreign markets. In the meantime studies in diplomacy have been increasingly related to specific business practices of international firms, *i.e.*, business/corporate diplomacy, focusing on the problems that multinational corporations face concerning their relationships, with market and non-market players, due to the growing impact that they have on the firm's actions and consequently on their performance. Hence the goal of this study is to assess how useful business diplomacy can be, as a strategic management tool, in helping firms overcome, minimise and manage the intrinsic challenges of doing business abroad *vis-à-vis* local firms. For that purpose a theoretical sampling was gathered of eight international Portuguese firms, of different sectors and sizes. The data was collected from primary (interviews) and secondary sources (corporate presentations, newspapers articles, reports, videos and web pages) then coded and analysed. A framework of analysis, based on four original categories (*barriers*, *intervention*, *transmission cables* and *facilities*), and built upon the literature review process, was then applied where the theoretical assumptions of the usefulness of business diplomacy to help overcome the barriers in the internationalisation process were broadly reinforced. A new category which emerged from the empirical findings - *moderators* - was also used. The moderators are the variables that affect the scope that the tool can have, dependent on the dimension of the impact that the firm may have on the host environment. This work has revealed that, despite globalisation, firms still face many obstacles when operating in international markets, but it also shows that the business diplomacy tool can be used in a strategic way in order to overcome those challenges.

Keywords: internationalisation, business/corporate diplomacy, international business constraints

Resumo

A globalização mudou radicalmente o panorama dos negócios internacionais e as empresas multinacionais, nesse processo, aumentaram o seu papel, a par da sua responsabilidade, perante a sociedade em geral, enfrentando assim exigências crescentes do meio ambiente onde operam, especialmente quando interagem com mercados externos. No entanto os estudos em diplomacia têm sido cada vez mais relacionados com práticas específicas de negócios, ou seja, diplomacia empresarial/corporativa, focando-se nos problemas que as empresas têm de enfrentar no que concerne aos relacionamentos com agentes relacionados e não-relacionados com o mercado, devido ao crescente impacto que estes têm nas ações das empresas e, consequentemente, no seu desempenho. Assim, o objetivo deste estudo é avaliar o quão útil pode ser a diplomacia empresarial, como uma ferramenta de gestão estratégica, para ajudar as empresas a superar, minimizar e gerir os desafios intrínsecos de fazer negócios no exterior *vis-à-vis* as empresas locais. Para esse efeito uma amostra teórica foi recolhida de oito empresas portuguesas com experiência internacional, de diferentes setores e dimensões, tendo os dados sido recolhidos de fontes primárias (entrevistas) e secundárias (apresentações, jornais, artigos, relatórios, vídeos e páginas web), e depois codificados e analisados. Um quadro de análise, baseado em quatro categorias originais (barreiras, intervenção, cabos de transmissão e facilidades), construído a partir do processo de revisão da literatura, foi então aplicado, sendo amplamente reforçado os pressupostos teóricos da utilidade da diplomacia empresarial. A par disso, a partir dos resultados empíricos, emergiu uma nova categoria - moderadores - que afetam o alcance que a ferramenta pode ter de acordo com a dimensão do impacto que a empresa pode ter sobre o ambiente de destino. Este trabalho revelou que, apesar da globalização, as empresas ainda enfrentam muitos obstáculos quando operam em mercados internacionais, mas também mostrou que a ferramenta da diplomacia empresarial pode ser usada de forma estratégica a fim de superar esses desafios.

Palavras-Chave: internacionalização, diplomacia empresarial/corporativa, constrangimentos aos negócios internacionais

Index of Contents

1. Introduction	1
2. Literature Review: International Business Constraints and Business Diplomacy	5
2.1. International Business Constraints	5
2.1.1. Liability of Foreignness.....	5
2.1.2. Liability of Outsidership	8
2.2. Business Diplomacy	18
2.2.1. Diplomacy Concepts	18
2.2.2. Business Diplomacy	21
2.3. International Business Constraints <i>vis-à-vis</i> Business Diplomacy.....	32
2.4. Conclusion.....	36
3. Methodological Considerations.....	39
3.1. Qualitative Approach	39
3.1.1. Systematic Combining	40
3.2. Practical Implications	41
3.2.1. Sample Selection	41
3.2.2. Data Procedures.....	44
3.3. Conclusion.....	48
4. Findings	49
4.1. Research Findings	49
4.2. Findings Discussion	53
4.3. Conclusion (Global View of the Framework).....	71
5. Conclusion.....	77
6. References	82
7. Annexes	93
Annex 1: Sample Description.....	93
Annex 2: Primary Sources.....	94
Annex 3: Description and Justification of the Firms.....	95
Annex 4: Interview Guide	105
Annex 5: Letter of Request	109
Annex 6: Secondary Sources.....	111
Annex 7: Moderators of Business Diplomacy Engagement	112

Index of Tables

Table 1: Finding Analyses.....	50
--------------------------------	----

Index of Figures

Figure 1: Initial Framework From the Literature	38
Figure 2: Framework in Firm Internationalisation	73

Abbreviations

ASEAN: Association of Southeast Asian Nations

CEO: Chief Executive Officer

COO: Country Of Origin

COE: Country of Origin Effect

CSR: Corporate Social Responsibility

EU: European Union

FDA: Food and Drug Administration

FDI: Foreign Direct Investment

GATT: General Agreement on Tariffs and Trade

GDP: Gross Domestic Product

GLOBE: Global Leadership and Organizational Behavior Effectiveness Research Project

ILO: International Labour Organization

IMP: Industrial Marketing and Purchasing

LOF: Liability Of Foreignness

MBA: Master of Business Administration

MNC: Multinational Corporation

MNE: Multinational Enterprises

NAFTA: North American Free Trade Agreement

NGO: Non-Governmental Organization

SME: Small and Medium-Sized Enterprises

TNC: Transnational Corporation

WIPO: World Intellectual Property Organization

WTO: World Trade Organization

1. Introduction

One of the main challenges regarding international business, since the beginning of the work in this field (cf. Kindleberger, 1969; Vernon, 1971) has been the study of theoretical frameworks and business practices that could help firms overcome the intrinsic costs and risks they bear when engaging with foreign markets (cf. Hymer, 1960; Zaheer, 1995), alongside internationalisation models that also aim to reduce that deficit through different approaches (Johanson & Vahlne 1977, 1990 and 2009; Johanson & Mattsson, 1988; Håkansson & Snehota, 1989; Hadley & Wilson, 2003, Schweizer *et al.*, 2010).

In the meantime, studies in international relations concerning the field of diplomacy have been progressively more related to economic issues (*e.g.*, economic diplomacy), and more recently, to specific business practices of international firms, *i.e.*, business/corporate diplomacy (Saner *et al.*, 2000; Steger, 2003; Saner & Yiu, 2005; Mulddon Jr., 2005; Sarfati, 2009). Thus focusing on the problems that multinational corporations have to face concerning their relationships with the surrounding environment in which they operate, regarding market and non-market actors, due to the growing impact that they have on the actions and, subsequently, on the performance of international businesses.

At an academic level, in the 90s, Michael Watkins introduced an MBA course entitled *Corporate Diplomacy* at Harvard Business School, defining it later in his blog as “the role senior executives play in advancing the corporate interest by negotiating and creating alliances with key external players including governments, analysts, the media and non-governmental organizations (NGOs)” stating thus the need to “institutionalize the diplomatic mind-set throughout their organization” (Watkins, 2007).

In Europe it is also possible to see the growing attention to this subject, namely of the Paris Institute of Political Studies (Sciences Po), amongst others, where in the *Master Affaires Internationales* course, there is a seminar exclusively dedicated to corporate diplomacy, portrayed in the syllabus as “[t]he emerging synergetic and symbiotic cross-fertilization between the traditional tool-kit of diplomacy and best practices of MNCs and NGOs that will enhance the capacities for complexity management of the broad array of international public/private policy issues” (2009).

In terms of business practices, the position of *international head* in global corporations, which is more common in the United States than in Europe, is based on the idea of connecting the company to the rest of the world. This position is viewed as an advocate for international operations, *i.e.*, in line with the global strategy of the group engaging with all the players that can influence the company's actions and thus its performance.

Ferdinand Beccalli-Falco, former chief executive of General Electric International, responsible for managing the operations of the conglomerate American outside the U.S., called himself, in an interview to the Financial Times (24-11-2009), the "foreign minister of GE (...) I don't run any operations. I am the Hillary Clinton of the situation".

Another real-world view regarding the importance of corporate diplomacy is given by Mike Eskew, former CEO of UPS, while taking into account that the common notion regarding globalisation and global companies is that they destroy jobs, promote labour exploitation, harm the environment, increase the gap between rich and poor countries, and harm the overall quality of life, there is a need to "create a positive climate for everything we do and everyone we touch" (Eskew, 2006, p. 5).

Hence, according to this management perspective there is a need for a corporate diplomacy that covers: long term commitments to generate future rewards (*i.e.*, greater flexibility and local knowledge), think locally and act globally (*i.e.*, use of the individuals that know the host environment best, local managers), an integrated attitude and not an extractor attitude (*i.e.*, real pledge towards the host communities) and have a personal branding strategy for the next 10 years (*i.e.*, undertake a learning and collaborative relationship with the external environment), thus increasing the transparency of decision-making.

Antony Burgmans, former CEO of Unilever, in the forward of Steger (2003) book views corporate diplomacy as "not the art of spinning, but the practice of being upfront and communicative with a variety of people directly and successfully" (p. xi), in order to be able to respond to stakeholders expectations, in a world with increasing transparency and therefore scrutiny, it is becoming imperative due to their growing impact on the bottom line of the business.

Today size does not matter because businesses, even small ones, are global in their practices (Goodman, 2006), and so this is not a phenomenon exclusive to a few billion dollar corporations such as Coca-Cola or BP, or restricted to a few countries like the United States or England, as it is apparent in several Portuguese firms.

In July of 2012, following the approval of a new board of directors, Galp Energia created a *commission of international politics* in order to analyse and provide clues in the markets where they operate. The final goal being to capture the profound reality of those markets and therefore of all its potential (Crisóstomo, 2012).

Another example is EDP, which has a specific body, in its organizational structure: *Institutional Relations and Stakeholders Department*, which is exclusively devoted to the stakeholders. Its main goal being “[t]o ensure an integrated and consistent narrative between all Group stakeholders, in line with the adopted company vision and strategy” (EDP, 2013c).

Therefore the vision portrayed by Milton Friedman four decades ago (Friedman, 1970) that the only responsibility of a firm is to increase its profits to shareholders is becoming increasingly out-dated. The key word today is not *shareholders* but *stakeholders* (academia, analysts, business partners, customers, employees, governmental bodies, investors, local communities, media, NGOs, opinion makers, pressure groups, regulators, suppliers, trade associations, etc.).

There is a need, therefore, for businesses to engage in areas far beyond their core business such as human and labour rights, environment, anti-corruption, transparency, etc., in order to achieve the license to operate in order to avoid severe losses due to lawsuits, negative media coverage, consumer boycotts, negative analyst evaluation, NGOs pressure, etc. The value of a business is becoming more intangible (*e.g.* corporate reputation, corporate governance, etc.), hence the need to move towards a culture of accountability (Goodman, 2006).

Following the above backdrop, the objective of this work is to build a bridge between the two fields of knowledge underlying this study (international economics regarding the *problem* of international business constraints and international relations regarding the *tool* of business diplomacy) in order to assess how useful it can be for international firms to overcome, manage and minimize the intrinsic challenges of doing business abroad *vis-à-vis* local firms. Thus the aim is to, at the theoretical level, expand the theory of internationalisation of the firm and at the practical level, enrich the international management field. The research question is therefore how can business diplomacy help international businesses overcome, minimize and manage the intrinsic challenges related to doing business abroad?

The goal is to address not only MNCs (that have been covered in the little empirical research available until now, although via different approaches), but to have a more broader scope in terms of size, sectors of activity, as well as Portuguese enterprises, that have never been analysed under this light.

In order to address this research problem, *i.e.*, a *how* question, the qualitative approach is the one that best serves this purpose (Pratt, 2009). Despite the extensive literature regarding the two fields of knowledge, following the novelty of crossing these two areas, there is a need to build a brand new framework that embodies both of them. This implies and reinforces a type of approach based upon in theory building (Yin, 2009) alongside exploratory studies (Eisenhardt & Graebner, 2007).

This thesis is divided into five main sections, this being Section One, an introduction to the research theme followed by the aims of this work.

In Section Two the literature review is laid out in order to understand the subject of international business constraints in its two main dimensions - liability of foreignness and liability of outsidership - alongside the subject of business diplomacy - diplomacy concepts and business diplomacy. This segment ends with a bridge built between the two concepts, international business constraints *vis-à-vis* business diplomacy, followed by a conclusion.

In Section Three the methodological proceedings adopted regarding the qualitative methodology and the respective method of systematic combining are presented and defended. This is followed by the practical implications of the sample selection and data procedures, finalizing with a conclusion.

Due to the use of the systematic combining (Dubois & Gadde, 2002) process, *i.e.*, the permanent interaction between the real world *vis-à-vis* the theoretical framework, and thus the possibility of going back to it and rewrite it, the structure of this work is not exactly in the order that the thesis was carried out. To make it easier to read, it will be presented as if the literature review preceded the empirical study.

In Section Four the research findings are presented, followed by the discussion on the findings and the respective conclusion. The study ends with Section Five drawing of the final conclusions alongside the limitations, implications and suggestions for future research.

2. Literature Review: International Business Constraints and Business Diplomacy

Doing business in foreign markets implies an all-new range of challenges that firms do not face when operating on a domestic level. These hereinafter will be referred to as international business constraints and fall under two categories: liabilities of foreignness and liabilities of outsidership.

In this context, business diplomacy presents itself as a recent concept that can help businesses overcome those liabilities when engaging with international markets, by establishing links with various economic players in order to facilitate the pursuit of their business enterprise.

2.1. International Business Constraints

International business is implicitly related to internationalisation and for this purpose it will be considered as “the process of increasing involvement in international operations” (Welch & Luostarinen, 1988, p. 36). This participation involves specific costs, risks and, therefore, challenges for businesses. Despite them having been identified for some time, they remain a challenge in terms of theoretical framework and business practices.

2.1.1. Liability of Foreignness

Hymer’s (1960, published 1976) seminal work was responsible for the creation of the modern theory of international operations for large corporations which constituted “a radical departure from the conventional neoclassical approach of the time” (Ietto-Gillies, 2005, p. 59), isolating, for the first time, the capital movements of investment by international enterprises.

Until then all capital movements were included in the general theories of the subject. Hymer (1960) was the first to see the need to differentiate those capital movements associated with international enterprises. Thus creating two categories, one related to production and direct business purposes, *i.e.*, *foreign direct investment* (FDI), and, the other, related to pure financial investments, *i.e.*, *portfolio investment*, the main difference between them being the control factor. The former gives control to firms

whereas the latter does not, resulting in different consequences for businesses and the economy.

In relation to firms using FDI as a means to transfer and enhance their resources across borders, Hymer (1960) subsequently defined the issue of *costs of doing business abroad*, as the existence of location disadvantages *vis-à-vis* local firms in a number of factors, *i.e.*, “all additional costs a firm operating in a market overseas incurs that a local firm would not incur” (Zaheer, 1995, p. 343). This means that, by default, foreign firms have a lower chance of profitability and therefore of survival.

According to Hymer’s (1960) theory, it is possible to identify four basic cost types incurred by a firm operating in a foreign market: first, *costs of acquisition and communication of information in general* (*i.e.*, resulting from differences in culture, language, and political, economical and legal environment, alongside travel, transportation and coordination over distances and across different time zones.); second, *costs originating from less favourable treatment given by governments of the host country* (*e.g.*, protectionist policies); third, *costs and risks arising from fluctuations in exchange rates* (*e.g.*, monetary policies); fourth, *costs from the home country environment* (*e.g.* restrictions on high-technology sales to certain countries) (Zaheer, 1995).

Zaheer (1995), following Hymer’s (1960) theory, coined the term *liability of foreignness* (LOF), and since then this subject has been reinforced as a central theme in international business. In the understanding provided by Zaheer (1995), the LOF arises from costs of doing business abroad, *i.e.*, from the strangeness of the environment in multiple forms (political, economic, social, cultural, etc.), alongside the challenges of management across physical distances.

When engaging with foreign markets, all these factors drive the need of firms, to have the same sort of specific-advantage *vis-à-vis* local businesses in order to overcome the deficit caused by their foreign status, embodied in three basic hazard categories: unfamiliarity, relational and discrimination (Eden & Miller, 2001).

It should be mentioned that LOF is “an inherently dynamic concept” (Zaheer, 2002, p. 353), especially in this contemporary volatile environment of international business. It can, in some cases, decrease or even disappear, and in other cases increase, usually due to major world events or relative to specific regions, countries, industries or even single

corporations, while looking at their track record of policies (states and regions) and conducts (industries and corporations). Several events in recent years can be seen to cover all these angles (e.g., Enron and WorldCom scandals, war in Afghanistan and Iraq and the financial sector crises).

One of the most relevant internationalisation theories, that attempts to analyse the risks and costs that companies face in the internationalisation process, is the Uppsala Model, developed by Johanson and Wiedersheim-Paul in 1975, at the Uppsala University (Sweden), and complemented by Johanson and Vahlne in 1977 and 1990. It breaks from the static framework of past models (Hymer, 1960; Vernon, 1966; etc.), giving it a more dynamic and managerial feel, by looking for the first time "into the black box of the firm in order to analyse its decision-making process" (Ietto-Gillies, 2005, p. 122)

The Uppsala Model consists of "a process in which the enterprise gradually increases its international involvement" (Johanson & Vahlne, 1990, p. 11), that then progresses into an interaction between the expansion of knowledge about the target market dynamics on the one hand, and, a growing commitment to invest resources into that expansion, on the other. The main goal being to minimize the fundamental factor associated to the internationalization process: uncertainty.

According to Uppsala Model there is a difference between *objective knowledge* and *experiential knowledge*, where the first is related to more empirical comprehension, e.g., market methods, statistical tools, etc., that in summary can be generalized across markets, and the latter is related to much more endemic information, e.g., culture, distributive structures, customer characteristics, etc. Both of which influence the degree of internationalisation of the firm, although experiential knowledge is considered the one that most contributes to low uncertainty and risk perception because of its more in-depth understanding of the foreign market in all its dimensions and complexity.

A greater emphasis is placed, in the above perspective, on the *experiential knowledge* that "can only be learned through personal experience" (Johanson & Vahlne, 1977, p. 28). Contrary to theoretical opportunities related to market knowledge, it allows for the identification of real opportunities, in such a way as to have a genuine understanding about what can work today and in future endeavours of the firm. This suggests that this type of knowledge is normally related to specific market conditions and therefore cannot simply be migrated to other persons or markets.

According to this model, in regards to the second step in the internationalisation of the firm, *physic distance*, firms choose to begin the internationalisation process by the markets with which they feel closer to in relation to psychological distance, *i.e.*, “the sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977, p. 28), exemplified by differences in language, education, business practices, culture, and industrial development.

The differences mentioned can be considered as informal aspects of the foreign business environment that increasingly gain weight in the overall dynamic of businesses, and their relation to multiple actors, beyond the basic market related concerns.

Thus, according to Johanson and Vahlne (1977, 1990) the greater the distance and the greater the differences mean that the markets become less attractive and vice-versa. So the selection process is not based on the best potential markets (*e.g.*, population numbers, growth potential, purchasing power, etc.), but on those who present more similarities with the home country or other markets where the firm is already established.

In conclusion, the main limitation in the internationalisation process, according to the Uppsala Model is the lack of knowledge, specifically experiential knowledge at an international level that can only be achieved by the firm itself.

In addition to this specific type of knowledge there is another, network knowledge, *i.e.*, through connections to other firms and their knowledge, due to the inherent concept of sharing among those belonging to the network. The firm must access this in order to avoid another type of liability, the liability of outsidership.

2.1.2. Liability of Outsidership

According to Håkansson and Snehota (1989) the network model is described as a “continuous interaction with other parties constituting the context with which the organization interacts endows the organization with meaning and a role” (p. 187), *i.e.*, a “network model of the organization-environment interface” (Ibid, p. 187), from which arises the famous expression that gives title to the work in question, *no business is an island*.

Håkansson and Snehota (1989) implies “a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates

its own activities and resources to those of the other parties constituting its context” (p. 187), *i.e.*, an emphasis on the interaction between the firm and its surroundings have led to determining that the firm is frequently rooted in its surroundings and that its conduct is therefore highly conditioned if not fated, which means that it is not totally a sovereign or autonomous body.

The network model of organization-environment interface is based on a continuous exchange of relationships between a limited number of players (suppliers, competitors and customer) that create a series of links, *i.e.*, the network is a series of relationships between different organizations where, by being connected to each other, they are able to share their specific knowledge in a win-win perspective.

The interdependencies in the network concern activities, resources and relationships, that can be complementary or competitive depending on whether the organizations in question belong to the same activity chain or not, and so it is assumed that “performance is therefore largely dependent on whom it interacts with” (Håkansson & Snehota, 1989, p. 192).

Given the above, for Håkansson and Snehota (1989) it is essential to review the three central issues from the viewpoint of the network model: organizational boundaries, determinants of organizational effectiveness, and the process of managing business strategy.

Regarding organizational boundaries, there has been an evolution from the traditional hierarchical view (proprietary or contractual) to a more wider scope in order to “include the critical connected activities and the resources that can be mobilized as a result of the ongoing network relationships - in other words, the context of the organization”, (Håkansson & Snehota, 1989, p. 194). This depends on the degree of interdependence, which is related to the second issue, organizational effectiveness, where the word environment means “entities that are related to the organization” (Ibid, p. 192).

Organizational effectiveness also becomes broader because of the “capacity to acquire resources through exchange with other parties in its context” (Håkansson & Snehota, 1989, p. 194) evolves from an “autonomous and unilaterally” condition (p. 195) to “exchange processes in the network setting” (p. 195). In regards to the third issue, managing the effectiveness of an organization, there is also a new view, the “planning approach” (Håkansson & Snehota, 1989, p. 197) and prescriptions for a more interactive

behaviour of actions and reactions, *i.e.*, “a social process (...) carried out by individuals but is coded and stored collectively” (Ibid, p. 198). In sum, when applying the network view to business strategy, changes are required in all three issues mentioned above.

The work of Håkansson and Snehota (1989) follows the seminal work of Johanson and Mattsson (1988) that first introduced the concept of the network approach in the internationalisation context. Their main emphasis is on the need to adapt the business strategy according to this view, *i.e.*, how it depends and therefore how should it be managed.

Given the above view there is an osmosis process between the business and its context, *i.e.*, they are mutually influenced, it is a social process, a web of relationships, that shows the range of connections that the firm now faces, with other parties, business and non-business related, far beyond the firm’s micro-environment of the Uppsala School, resulting in an increasing need to adapt and manage it in order to better accomplish the firm’s objectives.

The theory of internationalisation in industrial systems from the network approach of Johanson and Mattsson (1988) is based on the fact that the firm, especially SMEs, is dependent on resources controlled by other firms, thus the aim was to “discuss explanations of industrial firms with the aid of a model that describes industrial markets as networks of relationships between firms” (Johanson & Mattsson, 1988, p. 287), believing that this model is superior because it “makes it possible to consider some important interdependencies and development process on international markets” (Ibid, p.267).

An international network usually involves a home and a host country, and in the latter it is possible for the firm to have a different sort of presence such as agents, commercial or production subsidiaries, all of those acting alongside governmental agencies, banks, etc., as well as the usual/basic client and supplier relation.

According to this view the success of a firm depends on its relationships with suppliers, distributors, clients, public organisms, etc., in addition to other firms, thus there is an interdependence between the firm and other firms, and several other actors, so mutual benefit is implicit for firms inside the network. Therefore the firm uses network contacts to leverage their competitive advantages as well as to minimize costs and risks when engaging with foreign markets (Johanson & Mattsson, 1988).

Relationships between firms take time and involve all levels of employees (from top management to shop floor, and from manufacturing to design), because there is a need to achieve extensive knowledge of each other that can only be forged by direct experience, beyond the basic price and quality issues, *e.g.*, regarding organization and development opportunities, and thus confidence is a crucial variable that has a direct input on commitment levels.

Networks generate possibilities and constraints; relevant factors for the firms regard investments, timing, internal co-ordination and co-operation, all of which are essential to the present and future position of the firm in the network.

Given all the above, when comparing the network model of internationalisation to others, the authors claim that the others “leave out characteristics of the firm and the market which seem specially important in the case of global competition and co-operation in industrial systems” (Johanson & Mattsson, 1988, p. 310).

In summary, according to Johanson and Mattsson (1988), presence in the network leverages the firm’s ability to take advantages of the opportunities that the market presents, especially through the network inner circle, thus there is a high level of interdependence between firms inside that micro-environment that must be established, developed and maintained. This takes time and investment, but is essential in order to face global competition.

Major evolution can be seen regarding the previous view of Johanson and Vahlne (1977, 1990), from the firm perspective to an industry perspective, thus expanding the connections of the firm with its external environment, to include non-market relations. An example is when Johanson and Mattsson (1988) refer to firm’s relations to public organisms, *i.e.*, an increasing need to incorporate, in the strategy and therefore into the business practices, tools to manage the increasing number of not only market but also non-market actors and therefore relations.

Johanson and Vahlne (1990) mention that there has been an evolution of views regarding international decisions, from unilateral to multilateral, and so knowledge, according to Hadley and Wilson (2003), has become a nuclear variable and thus important to evaluate its impact in the internationalisation process.

The basic argument is that experiences acquired by firms through engaging in foreign markets can be translated into knowledge that can help them prosper abroad, whereas

firms that don't have that opportunity may have more difficulties obtaining that knowledge, hence the relevance of the network in this particular context (Hadley & Wilson, 2003).

According to Hadley and Wilson (2003), when considering the two dimensions of the Johanson and Mattsson (1988) network model, the degree of internationalisation of the firm and of the market, the former "is directly associated with the level of experiential knowledge residing in the firm" (Hadley & Wilson, 2003, p. 699) while the latter "represents a source of knowledge, either directly or indirectly, which can be capitalised upon in terms of the internationalisation of the firm" (Ibid, p. 700), *i.e.*, both market and firm experience are indispensable.

Knowledge can flow both ways, *i.e.*, the firm gets to know the community and the community gets to know the firm, in a osmosis process that reflects the increasing importance of the firm to be able to deal with its external environment and all its stakeholders - market and non-market related - because they are, in fact, a central component of business management in the XXI century.

Hadley and Wilson (2003) made an attempt to operationalize the network model of internationalisation of Johanson and Mattsson (1988) in order to test the links between experiential knowledge and the firm's and the market's degree of internationalisation, using as a reference the three basic types of knowledge according to Eriksson *et al.* (1997): *internationalisation knowledge*, *foreign business knowledge* and *foreign institutional knowledge*.

Foreign business knowledge is related to market, clients, competitors, *foreign institutional knowledge* is related to government, culture, norms and institutional frameworks, *i.e.*, the *know-why* aspect of experiential knowledge. Finally, the concept of *internationalisation knowledge* is related to understanding the bureaucratic elements, *e.g.*, adapting resources and capabilities of the firm to the foreign environment in question, *i.e.*, the *know-how* aspect of experiential knowledge, where all three classes of knowledge are related to the firm and network levels of internationalisation.

Considerable work has been done in this field over the last decades by, amongst others, the IMP Group, its focus being "on the role of relations and networks as key aspects of business marketing" (Morlacchi *et al.*, 2005, p. 4) in the light of the network use analysis, developing therefore their own ideas about networks.

Their main purpose is to build bridges connecting the different actors that constitute the web of relationships where the firm operates. Thus problems and opportunities, as well as innovation and knowledge, do not emerge exclusively from the position of the firm but rather as the result of multiple interactions between it and its surrounding environment.

According to the *interaction-approach* firms are not driven solely and passively by a given number of individual customers, suppliers and buyers but rather by the interaction between them, which in itself is not an isolated event because it is related to past experiences and expectations of future business, thus “each transaction is part of a relationship which may be complex and long-established, and to which both customer and supplier bring their problems, uncertainties and abilities” (Ford, 2004, p. 139).

In essence the work of Hadley and Wilson (2003) alongside research groups such as IMP, have contributed to deepening the study of network relations between multiple actors within the firm’s environment. Knowledge is a key element in this view, especially experiential knowledge, together with institutional knowledge that is developed further here and is of core importance for this study.

This type of knowledge clearly amplifies the range of relations of the firm, *i.e.*, the need to manage relationships with governments and other institutional frameworks, alongside handling social norms, cultural practices, besides policies, laws and regulations. By viewing the firm’s environment new challenges arise that need to be addressed imperatively.

In line with the network approach works, Johanson and Vahlne (2009) later revisited their original concept shifting their focus from the market view of the original model (Johanson & Vahlne, 1990), to the network view. Therefore all the aspects relating to knowledge, learning, creating, and trust and commitment building are now included in that view.

The authors claim two main arguments based on the business network view: first, the existence of *liability of outsidership*, stating that “markets are networks of relationships in which firms are linked to each other (...) [h]ence *insidership* in relevant network(s) is necessary for successful internationalization” (Johanson & Vahlne, 2009, p. 1411); second, that “relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalisation” (Ibid, p. 1411).

In sum, according to the revisited Uppsala Model of Johanson and Vahlne (2009), the contemporary business environment is made up of networks, so it is fundamental for firms to approach the business environment is this new perspective. A significant shift in focus can be seen here, from the market view of the original model (Johanson & Vahlne, 1977), to the network view, thus all aspects relating to knowledge, learning, creating and trust and commitment building are newly developed in that view, as is the liability of outsidership, *i.e.*, of not belonging to the network, rather than the liability of foreignness, thus emphasizing the issue of interdependence in the progress and results of the firms.

According to this line of thought Zaheer (2002) more recently felt the need to redefine the focus of LOF from market-driven costs to structural/relational and institutional costs, *i.e.*, “costs associated with a foreign firm’s network position in the host country and its linkages to important local actors” (Zaheer, 2002, p. 351), referring to institutional costs as those related to “politics, ideology, law, and other such societal institutions to be taken into account in addition to culture” (Ibid, p. 352) which “affect the legitimacy or acceptance of the foreign firm relative to a local firm, as well as the extent of local learning the foreign firm has to engage in” (Ibid, p. 352).

The updated view of Zaheer (2002) gives greater emphasis to local actors and the imperative need to connect and embed them in the overall strategy of the firm, in all their forms, *i.e.*, market and non-market related, comprising in this way the full scope of actors that can affect the performance of the business, more or less, directly or indirectly.

The source of this updated perspective is based on events that have affected the world in the last decade (*e.g.*, 9/11). According to Zaheer (2002) the LOF costs, especially regarding access and legitimacy from a considerable number of western states and corporations, *i.e.*, structural/relational and institutional costs, have gained more prominence than those related to market-driven costs.

Thus, in order for the firm to accomplish its objectives, it needs to, increasingly, be in contact with the industry’s surrounding environment, and in doing so it increases its contacts to overall society, both business and non-business related, giving rise to an emerging need to have business management tools that can cope with the rising number of bonds that are established.

According to Schweizer *et al.* (2010) firms internationalise because they want to improve their position in the network or as a result of an entrepreneurial action, and they use the network and the Uppsala internationalisation process models to highlight the role of entrepreneurship is those models, *i.e.*, “internationalization should be viewed as an outcome of efforts undertaken by managers to improve their company’s operations, investments, and network position” (Schweizer *et al.*, 2010, p. 351).

In the same line as Ardichvili *et al.* (2003), these authors highlighted how important the *business opportunity identification and development* is, *i.e.*, more than a systematic search there’s a recognition of new information and ideas that are visible due to the alertness of entrepreneurs (that differs between individuals). This is based on the fact that markets are never in equilibrium therefore opportunities exist, thus building a three-stage model (perception, discovery, creation), with a honourable mention given to the importance of social networks that help them to expand their field of view during their continuous screening of the surrounding environment.

Therefore there is a need for someone to be constantly alert to the market scope in which it operates, or may operate, in order to be able to grasp all the opportunities that could emerge as well as avoiding rising threats.

There is a shift from causation to effectuation (Sarasvathy, 2001), from predictability to effectuation, *i.e.*, the control of the future regarding what you can do with the resources available, converting, in a sense, uncertainty into opportunity, becoming an opportunity rather than an obstacle, also noting the importance of social network and, in sum, the existence of information asymmetries from where the existence of opportunities to go abroad derive.

According to Schweizer *et al.* (2010) the decision maker, entrepreneur, faces *Knightian uncertainty*, *Marchian goal ambiguity* and *Weickian enactment*, therefore there is a need for the firm to be “enmeshed in a web of relationships, that is, in a network” (p. 366), in order to reduce all these factors, by engaging in exchange processes, the basis being experiential learning, and, in doing so, sharing resources, increasing commitments, building trust, etc., in order to reduce its risks and, leverage its opportunities, in this case by internationalising.

By being in the network they have privileged access to certain information and knowledge and can better identify and exploit opportunities virtually everywhere, thus the network is, in a sense, borderless.

In sum, *what happens, happens in relationships*, where the internationalisation model is an entrepreneurial process, an effectuation process, what can be done (effectuation rationality), and not what ought to be done (predictive rationality). Thus the internationalisation of firms is considered “not as an outcome of deliberate efforts to expand internationally, but as a by-product to some other action, here entrepreneurial action” (Schweizer *et al.*, 2010, p. 369).

Thus the importance of building relationships to access network knowledge and in doing so to be able to better manage and overcome international business constraints, market and non-market related, in addition to being in a better position to grasp new opportunities, therefore avoiding the liability of outsidership.

In terms of entrepreneur interactions there is an observable upgrade here, at both formal and informal relations level, growing beyond the relations of the firm *tout court*, that have already expanded over the time by the evolution of the models previously analysed. This reinforces the fact that permanent and increasing interactions between the firm, industry and now the manager with multiple stakeholders indeed, affect the overall performance of the business.

Denk *et al.* (2012) carried out a review of the literature regarding LOFs since the last one executed a decade ago in a special issue of the Journal of International Management (Vol. 8, No. 3, 2002) where the main steps regarding this subject are identified: first, the emergence of the concept (Zaheer, 1995), followed by the dynamic perspective stating that the challenges decline over time (Zaheer & Mosakowski, 1997), then the division into three hazard categories, *unfamiliarity*, *relational* and *discrimination* (Eden & Miller, 2001), among other contributions and contributors.

In this *state of the art* review the authors focused on three main variables and their evolution over the past 10 years: drivers, outcomes and theoretical streams applied to the concept.

In terms of the LOFs drivers, the first being *unfamiliarity hazards*, these remain the same (lack of being embedded in networks, international experience and of local business and institutional knowledge). There has been an evolution of the focus with

respect to *discrimination hazards* from an only single factor, lack of local legitimacy, to a new series of factors such as external conformity pressures, limited access to resources and negative nationalistic tendencies. Finally regarding *relational hazards* there has also been an evolution from one single focus, lack of trust, to several such as the degree of network integration, different corporate cultures and ownership structures. It must also be mentioned that there are a series of drivers that are connected to more than one hazard simultaneously, such as distance (*i.e.*, cultural, institutional, linguistic, spatial, etc.), that have evolved to other areas like cultural sensitivity, economic development and stress of host market, firm characteristics (*i.e.*, firm size, business group affiliations, learning capabilities, management qualities) and industry characteristics (*i.e.*, foreign competition, industry growth, and industry-specific knowledge intensity, seller concentration).

From the above it is clear that an evolution of the focus to more *discrimination* and *relational hazards* can be seen, related to non-market variables namely culture, learning, knowledge, network and nationalistic tendencies (*e.g.*, following the 9/11 events).

Regarding the *way organizations internationalise*, the research focus has abandoned the single emphasis on efficiency to FDI projects, firm-specific advantages, internal knowledge transfer and local resource commitment. Regarding the third outcome, *interactions among international business players*, the single focus on probability of lawsuits was abandoned in favour of a new range of issues such as reputational and relationship damages, degree of embeddedness in local networks, organizational attractiveness and perception of foreignness.

Here it is also possible to see an evolution to a broader number of subjects together with more focus on issues related to *way organizations internationalise* and *interactions among international business players*, namely related to knowledge, commitment and embeddedness.

Today, given all of the above, international operations are characterised by the need for an integrated view that compresses all the dimensions (firm, network and entrepreneur) of the complex global setting in which corporations operate, thus the need for new management tools that enable them to reply to these new challenges placed by the 21st century business environment where business diplomacy could play an important role.

2.2. Business Diplomacy

In order to better frame the focus of this work - Business Diplomacy - it is necessary to begin by clarifying the concepts of Diplomacy, Economic Diplomacy and Business/Corporate Diplomacy, where the latter will be subject to an in depth analysis in the following section. Business/Corporate Diplomacy is a new concept that derives from the original concept of diplomacy linked to the political and international relations context, having nevertheless over time increasingly broaden its scope and application.

2.2.1. Diplomacy Concepts

The concept of Diplomacy dates back to ancient Greece and has evolved over time since the Italian city-states, the French revolution, the England industrial revolution, and more recently after the second world-war, where the modern concept is associated with the *Westphalian System* where “[t]he post 1648 system of international relations in which states - secular, sovereign, independent and equal - are the members” (Berridge & James, 2001).

Hence the concept of Diplomacy *tout court* is in its origin linked to the figure of the state and the dynamics of international relations with other states, and this condition was a distinctive characteristic that acknowledged the fact that this was the only actor in the international system.

However, today, this situation no longer mirrors reality due to the emergence of non-state actors, such as international businesses and non-governmental organizations that can influence the actions of states, thereby resulting in a new set of relations beyond the original state vs. state: state vs. non-state actors.

Therefore the definition that, currently, can be considered to best represent the reality of contemporary diplomacy is of Melissen (1999) that portrays it as a “mechanism of representation, communication and negotiation through which states and other international actors conduct their business” (p. xvii).

This redefinition enables us to give justice to the growing role of non-state actors. From the classic paradigm of international relations in the first half of the 20th century, the classical realism of Morgenthau (1948), which focussed on the relationships in the international system was exclusively between states and the distribution of power between them in a competitive environment - *power politics* - given its anarchic

condition (absence of a world government), to the neorealism of Waltz (1979) in the second half of the 20th century, which now assumes the existence of other actors in the international system capable of influencing the action of the state, although this theory reaffirms the central role of the state in the international system.

Economic Diplomacy is the activity performed by the state in promoting its economic base abroad, through multiple organisms, normally overseen by the Ministries of Foreign Affairs and/or Economy, with two main objectives: the “mobilization of inward FDI and export promotion as the essence of advancing interests in foreign countries” (Ögütçü & Saner, 2008, p. 3).

The increasing importance of economic diplomacy is closely linked to the process of globalisation and growing economic interdependence, a dynamic which grew exponentially during the second half of the 20th century due to the victory of Liberalism over the other dominant ideology of the bipolar world of the Cold War period, Communism, thus resulting in more international political stability (Dicken, 2011).

These conditions were leveraged by a number of other factors such as reduced transportation costs, improved forms of communication and new information technologies - the dawn of the Internet stands out - thereby extending the economic spectrum to new areas and corners of the globe which were previously inaccessible, along with political reforms like the liberalisation of world trade (GATT/WTO), economic integration projects (EU), alongside the creation of regional trading blocs (NAFTA, ASEAN, etc.) (Dicken, 2011).

All this has led to an exponential and sustained growth of the world economy in the second half of the 20th century, and even more of international trade, with exports growing faster than the world GDP (UNCTAD, 2012) an indicator of globalisation. There are repercussions beyond simply trading goods and services (increasingly tradable), such as the globalisation of production and FDI, *i.e.*, a process of market integration by progressive removal of barriers to free trade, generating a larger and growing interdependence of economies. This today is *state of the art* world economy, hence the increasing importance of economic diplomacy. Although this process is not entirely new in history (Romans, Portuguese Discoveries, etc.), it has gained another facet by the number of countries involved and sectors covered (Dicken, 2011).

There are different models to describe economic diplomacy (Carrière, 1998; Saner & Yiu 2003, etc.), but the one that best embodies the existence of multiple actors and their complex relationships within the contemporary international economic system is the model of Saner and Yiu (2003). It considers both aspects of economic diplomacy of the state: firstly, classical bilateral relations state-state, alongside multilateral relations within the international economic organizations; secondly, under the trade diplomacy, *i.e.*, "the work of diplomatic missions in support of the home country's business and finance sectors in their pursuit of economic success and the country's general objective of national development" (Saner & Yiu, 2003, p. 13).

Therefore a relationship of great complicity is perceivable between the state *vis-à-vis* businesses within the second dimension, trade diplomacy, assuming cooperation aiming for a clear positive sum game between these two actors. In the words of Potter (2004, p. 55) "they are irrevocably intertwined: commercial diplomacy aims to exploit comparative advantages and capitalize on the international opportunities created by economic", or as stated by Lee (2004, p. 51) "commercial diplomacy is best defined as the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes".

Therefore, in the face of strong complicity between the two actors, states and enterprises, it is possible to sum up economic diplomacy as "interstate economic relations manifested through firm-specific activities" (Yeung, 2004, p. 40).

In view of all the above it can be concluded that "[n]ever, as now, the role of economic diplomacy assumes so great relevance as an essential component of foreign policy and support the internationalization of economies and businesses" (Ferreira & Gonçalves, 2009, p. 115).

Finally, the authors of the proposed model, Saner and Yiu (2003), reveal one last side of diplomacy, which was identified in the beginning - Corporate Diplomacy - coupled with the business itself that covers two forms. The first is internal, entitled corporate diplomacy, related with the company's culture and its adaptation to cultures of the countries where it operates, along with the relationship between the parent company and its affiliated companies (subsidiaries and/or associates). The second is external (national and international), entitled Business Diplomacy, the primary objective of which is the management/strategy relationship, especially with the stakeholders universe with whom

it interacts, together with the management of information considered relevant, negotiations, public relations campaigns, etc., *i.e.*, "to ensure a sustainable presence and favourable investment climate for (...) global companies' subsidiaries in their respective host countries" (Saner & Yiu, 2005, p. 301).

In a more restricted view, regarding the involvement/influence of businesses in the international system, where the focus is strictly on the economic nature of these actors, Steger (2003) makes no distinction between the company's relationship with the internal and external environment as Saner and Yiu (2003) does, focusing mainly on the external interactions of managing relationships with several stakeholders thus assuming and defining corporate diplomacy as "an attempt to manage systematically and professionally the business environment in such a way as to ensure that *business is done smoothly*" (Steger, 2003, pp. 6-7).

Therefore, in the field of diplomacy, as a whole, a clear trend can be seen, particularly after the end of the Cold War and the dawn of globalisation, of *less geopolitics and more economics*, which has resulted in the fact that "trade and economic relationships has moved to the centre of diplomacy" (Ögütçü & Saner, 2008, p. 3).

In conclusion, the increasing position of equality within the relationships between international corporations and states in the international economic stage is clear, as stated by Muldoon Jr (2005, p. 342) "[g]lobalization is enabling TNCs (...) to expand the space they occupy within the international order, challenging the traditional state-centric hierarchical structure of the international system" .

In order to fully comprehend the context of this work it now becomes essential to understand the challenges that businesses face in this contemporary international economic system and how this new context drives the need to create their own kind of diplomacy.

2.2.2. Business Diplomacy

Although this subject only began to be treated at an academic level at the end of the 20th century, there are previous references to business diplomacy within business level practices.

The expression business diplomacy can be traced back to 1950 in the U.S. magazine Vital Speeches of the Day, in which Charles Jackson, editor of Fortune magazine, called

attention to the issue in an article entitled *Total Business Diplomacy*, despite the political environment of the time (cold war), he believed that the American enterprise was “a marvellously powerful, adaptable and wholly American asset” (Jackson, 1950, p. 423) that should be applied in order to conquer markets around the world, grounded in the American values.

Later (1966) in the same magazine Christian Herter, of Socony Mobil Oil Company (commonly known as Mobil), presented the same idea although using the term corporate diplomacy in an article entitled *Corporate Diplomacy In Foreign Countries: A Challenge to American Business*.

At that time, the General Manager (Government Relations Department) pointed towards the need of U.S. companies to change their attitudes to the new world order after the end of World War II, taking into account three major factors: the emergence of new state actors (processes of independence, *e.g.*, in Africa), increased international competition (Europe and Japan) and the end of the *honeymoon phase* that MNEs experienced from the early 1950s to the mid-1960s according to Dunning (1993).

Thus, according to Herter (1966), the “welcome mat was out” (Herter, 1966, p. 408) resulting in “difficult and unprecedented problems” (p. 407) that could only be successfully overcome “through the continuous practice of imaginative and intelligent corporate diplomacy” (p. 407).

At the beginning of the 90s Strange (1992) describes the emergence of new forms of diplomacy following the increasing importance of firms in the international relations arena, stating then that “[i]n the discipline of management studies, corporate diplomacy is becoming at least as important a subject as analysis of individual firms and their corporate strategies for finance, production and marketing” (Strange, 1992, p. 14)

Later Trice *et al.* (1995) edited a report, following a conference with insights on the subject by several contributors, promoted by the think tank Center for Strategic & International Studies (CSIS), based in Washington, D. C., entitled *Corporate Diplomacy: Principled Leadership for the Global Community*. Here corporate diplomacy is portrayed as the result of a *corporate evolution* laying down four stages towards a more social and involved type of relationship towards society from *capitalistic companies* evolving to *companies sharing destiny*, *companies sharing local*

social responsibilities and finally *companies assuming global social responsibility*, but without any real discussion in detail about corporate diplomacy *per se*.

Also in the 90s the concept of business diplomacy was approached by London (1999) and it covered a particular form of management, based on values and ethical leadership, *i.e.*, a diplomatic style of management that, despite the tough reality of businesses, proves it is possible to engage in a principled leadership that comprises “being good, doing good and increasing profitability” (London, 1999, p. 170).

Principled leadership draws on the concept of *kyosei* (Kaku, 1995), that translated to the business environment implies that firms “care about the interests of all their stakeholders, including employees, suppliers, customers, and the local community, across professions, nationalities, and political regimes” (London, 1999, p. 172), hence applying business diplomacy in order to fulfil this management philosophy .

London (1999) identifies the dos and don'ts of the principled diplomacy strategy (values of principled leadership, leadership strategies, behavioural and personal tendencies, treatment of others, communication, participation, and interpersonal relationships) alongside the tactics (conservative, risky and diplomatic) where each of them will work better or worse depending of the situation faced by the corporation.

Business diplomacy is therefore perceived as “the skillful resolution of differences between people in all kinds of corporate and competitive issues“(London, 1999, p. 172), aiming thus to reach consensus, overcoming conflicts and negotiating win-win situations where both parties must be able to maximize their gains and minimize their losses.

Despite the studies mentioned above, business/corporate diplomacy received little attention, at an academic level, in fact, until the work carried out at the beginning of the century by Saner *et al.* (2000) and Steger (2003) amongst others, who brought new breath into the subject, by the former portraying business diplomacy in title of his work as a *core competency for global companies* and the latter using corporate diplomacy as *the strategy for a volatile, fragmented business environment*.

Saner *et al.* (2000) states that for international businesses to improve their effectiveness they should develop their own form of diplomacy, as an integrated function inside the organization, attributed to a specific entity, business diplomacy manager, for “managing multiple stakeholders at home and abroad” (Saner *et al.*, 2000, p. 80), *i.e.*, an all-new

range of relationships beyond the direct control of the firm (products/services, price, timings, etc.).

Business diplomacy management is imperative to deal with foreign country expectations, multiple pressure groups and international conflict demands, thus the need to “build bridges between core businesses and the complex political environments within which global firms conduct business” (Saner *et al.*, 2000, p. 80).

International businesses today happen in a complex and global business environment, driven by globalisation, but significant differences still remain (work values, institutional organization, personal relationships, etc.) as noted by Hofstede (1980) and more recently by studies following the original work such as the GLOBE project (House *et al.*, 2004). The need for firms to adjust is clear, even with the existence of cultural awareness and sophisticated business practices.

To operate on an international level businesses are required to go far beyond the basic knowledge of market and legal conditions where they operate abroad. For example the need to handle international organizations such as WTO, WIPO or ILO that affect business standards, or the rise of the internet that has also changed the relationship of power between businesses and stakeholders, pushing corporations for more information and transparency regarding their practices, therefore influencing operations, and consequently the need to “learn to manage complex political-economic environments” (Saner *et al.*, 2000, p. 81).

Examples from recent years have showed the importance of business diplomacy (*e.g.*, Shell Oil conflict in Nigeria with the Ogoni people). When businesses don’t see how crucial non-business stakeholders are, this wastes time, money and reputation especially when they could have anticipated the crises “had the company been equipped with adequate diplomatic know-how, political foresightedness and social competence” (Saner *et al.*, 2000, p. 82), *i.e.* business diplomacy competences.

Today international business involves economic, political, social and cultural interaction at an organizational, industrial, national and international level, thus the need to incorporate, into a single field, traditional diplomatic practices alongside management policies, and the need to build their own diplomacy skills that are very much contextual, firm and industry-specific.

Therefore global companies need their own diplomatic skills, far beyond public relations duties, in order to deal with its environment in all its dimensions (international, national, firm and community level), relative to increasingly demanding business, *i.e.*, “influencing economic and social actors to create and seize new business opportunities; working with rule-making international bodies whose decisions affect international business; forestalling potential conflicts with stakeholders and minimizing political risks; and using multiple international forums and media channels to safeguard corporate image and reputation” (Saner *et al.*, 2000, p. 85), *i.e.*, increasingly the firms’ progress and results are dependent on their relationships with all the other local actors. In an empirical study conducted by Saner and Yiu (2005) on Swiss pharmaceutical and agro-industrial global companies, business diplomacy management is described as the “ability of MNCs to effectively interact with non-business stakeholders wherever the MNCs have business interests, be they in the form of local production, distribution channels or sales offices” (Saner & Yiu, 2005, p. 298).

For Saner and Yiu (2005) this issue has gained increasing relevance due to the growing involvement and awareness of global society on issues regarding social and ecological spheres (*e.g.*, CSR practices, United Nations Global Compact initiative, etc.), the most relevant being non-business stakeholders, home and host country NGOs.

The difference between business diplomacy and corporate social responsibility is clear, the former’s main goal being to advance the business interests of the corporation abroad (viewed as a strategic management tool), and the latter’s to apply social, environmental, ethical human rights to the business’s operations (viewed as citizenship responsibility).

Without business diplomacy capacities, multinational corporations can incur extra costs (*e.g.*, settlements), lose business opportunities and market share (*e.g.*, boycotts) and reputational capital (*e.g.*, bad press) due to global network environment where international businesses operate.

The power of communication today enables a closer relationship among stakeholders and therefore their capability to exert more scrutiny and subsequently more pressure on MNCs activities, in an informal and borderless context due to their decentralised and diverse nature.

Saner and Yiu (2005, p. 302) describe business diplomacy as “the management of interfaces between the global company and its multiple non-business counterparts (such

as NGOs, government, political parties, media and other representatives of civil societies) and external constituencies”.

According to this view business diplomacy is able to: create new business opportunities (*e.g.*, through international agreements), help create social capital (*e.g.*, addressing host countries needs and expectations) and accumulate contacts and social influence (*e.g.*, through involvement in local communities).

In order to effectively undertake business diplomacy, multinational corporations must: influence economic and social actors to produce and grasp new business opportunities, work with international rule makers that are able to affect international businesses, prevent conflicts with stakeholders and act within the international arena in order to protect the corporate brand and reputation.

Saner and Yiu (2005) conclude that there's a strong, direct link between the increasing presence of global companies *vis-à-vis* exposure and therefore high pressure due to the requirements of their surrounding environment. There is a permanent need to deal with multiple stakeholders in order to be sensitive and manage their demands and expectations, an increasingly difficult task due to growing number and competences of local and international NGOs.

Hence business diplomacy is nuclear to preventing confrontations that will inevitably lead to unpredictable losses at multiple levels for the company, as well as to ensure a sustainable and long-term favourable external environment in each country where the multinational corporations do businesses.

Saner and Yiu (2003) view the diplomatic role associated to the TNC as a management tool in order to succeed and ensure sustainability of the business, which is imperative to manage multiple stakeholders, at home and abroad. Thus the need arises to acquire capacities and competences, making a distinction between internal (corporate diplomacy) and external (business diplomacy) non-business stakeholders.

In the majority of the research, corporate diplomacy and business diplomacy appear as synonyms, reflecting the same basic purposes. Only Saner and Yiu (2003) make the above distinction in which they have different fields of engagement.

The aim of business diplomacy is to manage an external environment favourable to the business activities of the subsidiaries in order to handle the increasing demands of the local communities regarding corporate actions. If not, it can cause costs and the loss of

future business opportunities. It is defined as “the management of interfaces between the global company and its multiple non-business counterparts and external constituencies” (Saner & Yiu, 2003, p. 16).

Given the above, it is possible to define the sphere of influence of corporate diplomacy *vis-à-vis* business diplomacy. The former covers the relationship between the headquarters of the TNC and its subsidiaries in the different countries, and the latter is the relation between the TNC and their external constituencies (e.g., NGO, Political Party, Tribal Leader, Labour Union, etc.).

It is not about crisis management but about crises prevention, stating that “companies are intertwined with surrounding society” (Steger, 2003, p. 6), *i.e.*, the business environment (governments, international organizations, NGOs, investors, customers, retailers, employees, unions, communities, media, regulators, activists, etc.) that constitutes market and increasingly non-market forces.

Here the concepts will be used according to what seems to be the most common, *i.e.*, will be used in an absolutely similar way, featured as a *tool for managing external pressures*, of a plethora of different stakeholders, that must be addressed by companies in order to “prioritise and - where necessary and possible - reconcile these different demands” (Amann *et al.*, 2007, p. 33).

Hence business diplomacy can be described as a management practice, the main goal of which is to strategically manage the stakeholders’ universe of the firm, in order to ensure a favourable international business environment, by increasing the level of transparency, aiming for a long-term bond of complicity, with a positive-sum nature, amongst other purposes.

Given the above, international corporations face the emergence of a civic society (Etzioni, 1996), with standards that go beyond the pure economic view, where NGOs personified, in a sense, this new paradigm in the international business environment, by requesting more transparency and responsibility for corporations’ actions, and in that sense, representing a social role alongside governments and international organizations. Steger (2003) characterizes this setting, where companies operate with “goldfish bowl transparency” (Steger, 2003, p. 6) where perception is reality and if there are problems anywhere in the world they operate, it can have a global impact on the entire organization.

Thus the *honeymoon phase* (Dunning, 1993) and the era of the *footloose enterprise* (Caves, 1996) is over, the condition, now, for international businesses is a “licence to operate” (Steger, 2003, p. 7) that depends on corporate diplomacy, *i.e.* “an interaction that leads to mutual adaptation between corporations and society (in a sense a co-evolution)” (Ibid, p. 7).

This is, largely, a result of the globalisation process, where eroding barriers, high mobility, etc., have changed the context where companies operate, therefore there is a need to adapt in order to give an adequate response to the new challenges that have emerged in this new fast-moving, complex business environment.

Another issue emphasized by Steger (2003), related to the globalisation phenomenon and the concept of the global village (McLuhan, 1964) is the *transmission belts*, *i.e.* the process by which pressure is exerted, directly and indirectly, up and down the value chain, on corporations in order to make them change. For example lobbying regulators or government officials, boycotts or even pressure via capital markets, are currently much more efficient practices due to the information technology available, in addition to the increasing power of the media and their 24 hour news cycle.

Steger (2003) is very clear about the need to address the issues and characteristics contrary to the target stakeholders *per se*. For this it is crucial for corporations to have in place an *early awareness system*, *i.e.*, “to capture any weak signals that indicate an approaching issue for the company” (Steger, 2003, p. 15), a proactive attitude of detecting and preventing trouble ahead before it takes-off, using a check-list to evaluate the different issues (*e.g.*, are the arguments plausible?, will it evoke emotions?, is it media friendly?, etc.).

In sum, despite the importance of corporate diplomacy, according to Steger (2003), it is imperative for the corporations to have a robust business case upstream, *i.e.*, a strategy that comprises the three dimensions of sustainable development (economic, ecological, and social), alongside a genuine relationship towards stakeholder concerns and expectations.

Thus, in order to succeed, companies must *walk the talk*, and if not, the most successful in promoting their brand and all its values are more exposed and therefore more vulnerable, meaning a greater the risk of a mismatch between promises and behaviour with unpredictable consequences.

The company business environment is characterised as transparent, with no place to hide, pressured by times and the continuous media news cycle. The larger, more public, wealthier and better known high performing global brands, are the biggest targets and are more exposed to risk as more is at stake, thus the need for increasing attention by managers and researchers to this subject, including the fields of management, early awareness and CSR.

Nevertheless, given the speed that information flows nowadays, being transparent as a fishbowl means that one small incident can become, in terms of the perception of various agents, far greater. Therefore, according to Amann *et al.* (2007), it is necessary “to manage the business environment systematically and professionally, to ensure that business is done smoothly, with an unquestioned license to operate and an interaction that leads to mutual adaptation between corporations and society in a sense of co-evolution” (p. 34) This goal is however not associated to any attempt to homogenise because differences are an intrinsic and important part of society.

Empirical studies by Steger (2004 and 2006) have shown how incorporated social and environmental issues are in business strategy and operations, but nevertheless the great variety of issues, the overall concern of stakeholders is focused on regulatory compliance and accountability and transparency.

In summary, companies respond differently to different levels of external pressure, depending on their organization’s attitudes and capacities, their goal being to manage stakeholders strategically, systematically and professionally in order that “a (formal and informal) licence to operate is sustained” (Amann *et al.*, 2007, p. 47). For that it is imperative to: detect and understand emerging issues, taking into account the time in question, look beyond the short-term profit and taking things seriously in order to deal with the issue in a context of crisis prevention and not of a crisis management.

The result of the inquiries to business managers of international corporations conducted by Führ and Paixão (2009) acknowledges that there is a transition process regarding the management models (towards a corporate governance view) in order to be able to tackle the international business environment where they are increasingly integrated. Thus, corporate diplomacy can be seen as “an activity of interaction with the external environment in favour of the interests of the company (...) privately and also at the government level (...) as the main focus for the company designing its

internationalization through the initiation or increase of export of their products, promoting him in the midst of international trade” (Führ & Paixão, 2009, pp. 10-11).

Given the above it is possible to determine the field of action of corporate diplomacy that according to Führ and Paixão (2009) comprises first, on a national level, the relation of the firm with the national government and policies, market, economy, society, culture and ecology and, on a second international level, the relation of the firm with international government and policies, market, economy, society, culture, ecology, NGOs, media, technology and other businesses.

Sarfati (2009) has been exploring the concept of corporate diplomacy, stating an evolution from the traditional inter-state role, to a new one, stimulated by globalization, arguing that given the current size and complexity of MNCs their focus has gone beyond the market because they “need a corporate foreign policy in order to coordinate its market objectives with its objectives in relation to governments and the organized society” (Sarfati, 2009, p. 1).

In this context corporate foreign policy is viewed as “a multinational strategy to deal with all global corporate stakeholders” (Sarfati, 2009, p. 12), which should address 4 basic elements (Sarfati, 2007): market, government, society and information, all of them affecting the value chain (Porter, 1985) of the corporation, regarding both primary (*e.g.*, marketing and operations) and support activities (*e.g.*, human resources and infrastructures), which also mirrors the concept of corporate/business diplomacy.

According to Ordeix-Rigo and Duarte (2009), corporate diplomacy arises from the actions undertaken by international corporations in order to pursue their own diplomatic agendas acquiring thus a “status that goes beyond a license to operate and the source of its legitimacy to do so derives from a wide range of factors” (Ordeix-Rigo & Duarte, 2009, p. 555) *i.e.*, beyond acceptance, “looking to take new roles in society” (Ibid, p. 556) by engaging with multiple stakeholders and trying to comply with their expectations due to the fact that their activity goes beyond the value chain (Porter, 1985) and therefore there is a need to “show their citizenship and their responsibility toward society” (Ibid, p. 556) in a long-term approach to this new surrounding environment and respective actors, increasing hence their power and legitimacy.

In order to achieve this status the international corporation must actively engage with society, a role beyond the classic dimension of generating products/services,

employment and wealth, by creating institutions (*e.g.*, foundations), granting support (*e.g.*, sponsoring local social projects), all of this in an inclusive way and not in a unilateral decision process of the corporation towards society, thus in sum corporate diplomacy aims at “positioning the company or the group of companies as institutions” (Ordeix-Rigo & Duarte, 2009, p. 557) as “a way to strengthen the network of stakeholder relationships for a company and thus a valid stakeholder management strategy” (Ibid, p. 557), in a long term and real perspective of public support.

To effectively put corporate diplomacy in place there is a need to monitor the surrounding environment, mapping the relevant stakeholder’s expectations, proactively and not reactively, by empowering public in order to pursue interests shared by both actors, in order for the corporation to be able to gain social capital, one of the most relevant assets in the XXI century business environment, alongside the need to be able to construct their own public agenda, setting the issues that are relevant to the pursuit according to its own objectives (Ordeix-Rigo & Duarte, 2009).

In conclusion “the legitimacy of the contemporary corporation as an institution within society - its social charter, or ‘license to operate’ - depends on its ability to meet the expectations of an increasingly numerous and diverse array of constituents” (Post *et al.*, 2002, p. 9), therefore there is an evolution of the shareholder paradigm to the stakeholders *i.e.*, “[t]he modern corporation is the centre of a network of interdependent interests and constituents, each contributing (voluntarily or involuntarily) to its performance, and each anticipating benefits (or at least no uncompensated harms) as a result of the corporation’s activities” (Ibid, p. 8).

(Marques, 2010), in the context of the challenges faced by the foreign policy government practices regarding the emergence of the internationalisation of the Brazilian economy, and therefore of its corporations, calls attention to the need of corporate diplomacy and corporate managers to “become more active in promoting a better understanding on the part of the population of the company’s role and contribution to society” (Marques, 2010, p. 18), acknowledging the increasing role that businesses play in this 21st century global environment.

In another view corporate diplomacy is “the active involvement of senior executives in mediating conflicts and advancing business interest by negotiating and forging networking with key players in the global market including government officers,

religious and labor leaders, and influential non-governmental organizations” (Ali, 2009, p. 3) where this role has “social, political, moral, and business dimensions” (Ibid, p.3.), enhancing thus the role of CEOs in the international system, confirmed by their status when relating to government officials around the world, recognizing their power in areas far beyond the typical business function, *i.e.*, a primary actor in global affairs that “[f]ree of ethnocentrism and narrow allegiances, senior executives can add doses of realism and flexibility to global negotiation and dialogue” (Ibid, p. 5).

An emphasis on reputation regarding corporate diplomacy is made by Demirdjian (2007), stating that this dimension in today's global society can make or break businesses, thus it is imperative for corporations to engage in a strategy that comprises the demands of the multiple stakeholders that constitute the market and affect the bottom line of the firm in order to survive, separating from its country's image and employing their own separate diplomacy.

Following all of the above, and because only Saner and Yiu (2003) makes the distinction between corporate diplomacy and business diplomacy, for the context of this work the two concepts will be viewed as equivalents. In the author's view it concerns the actions undertaken by international companies, when dealing with their external environment, concerning multiple stakeholders, market and non-market related, in order to overcome the international business constraints of doing business abroad, constituting itself as a management tool, in line with the strategy of the firm, aiming for a win-win type of engagement.

In sum, international corporations can no longer rely only on the best price or product in order to be successful, *i.e.*, solely on market dimensions, they need to incorporate non-market dimensions in their overall strategy in order to be able to address the multiple players that constitute the environment in which they operate and that increasingly affect their performance. Thus there is the need for their own form of diplomacy in order to manage and overcome these new challenges of doing businesses in the global marketplace.

2.3. International Business Constraints *vis-à-vis* Business Diplomacy

Despite the passage of time Hymer's (1960) heritage remains valid as seen in recent international strategy works like Peng (2009), portraying LOF as “[t]he inherent

disadvantage foreign firms experience in host countries because of their nonnative status” (p. 156). This contemporary author recognizes the continuous existence of considerable differences between regions, countries and markets that can considerably influence the success or failure of businesses, as observed in numerous examples throughout the years.

According to Peng (2009), with his *tripod based strategy view* (industry, resource and institution) in mind, the LOF can be divided into two categories. The first is relative to institutions (formal and informal), that can be perceived in matters such as cultural, regulatory, language, etc., basically things that foreign firms do not grasp. The second concerns discrimination by clients regarding what is foreign. This can be manifested in formal ways (*i.e.*, internal policies to promote national products, *e.g.*, *Buy American*), or in informal ways (*e.g.*, intrinsic adverse approaches towards imported products), *i.e.*, in line with Hymer’s (1960) costs incurred by firms operating in a foreign market and with the ethnocentric view (Keegan & Schlegelmilch, 2000) that considers what originates from foreign markets as inferior.

Since Dunning (1981) it is assumed that internationalisation can bring benefits to enterprises, but at the same time generates disadvantages *vis-à-vis* indigenous firms, in the words of Hymer (1960), *costs of doing business abroad*, followed by Zaheer (1995) *liability of foreignness*, *i.e.*, local firms have more and better access to market information, are more rooted in the local environment and do not face foreign exchange risks, so there is a need to overcome them.

When engaging with foreign markets, in addition to *liability of foreignness*, firms also face *liability of outsidership*, *i.e.*, the business environment is a series of relationship networks and there is a need to be inside that web of connections in order to have access to knowledge on the foreign environment that the network compiles and shares, and in doing so be more equipped to overcome international business constraints.

The challenge is in find the right balance between globalization and localization (Vance & Paik, 2006), as despite the steamroller of globalisation, the world is not *flat* as stated by (Friedman, 2005). Also the idea of *globalisation of markets* claimed by Levitt (1983), which led some authors to consider the international mutation context as a stage that can be best described as of *semiglobalization* (Ghemawat, 2007).

Despite changes in the business environment and advances in the theoretical framework of internationalisation models; despite the evolution from firm view to industry view and more recently to an holistic view which includes the network and the entrepreneur (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990 e 2009; Johanson & Mattsson, 1988; Håkansson & Snehota, 1989; Hadley & Wilson, 2003 and IMP Group; Schweizer *et al.*, 2010), and business practices associated to the internationalisation processes; one constant remains and that is the need to cope with the foreign environment.

Today this need goes far beyond market-related interactions (customers, suppliers, competitors, etc.), *i.e.*, increasingly more concerned with non-market interactions (local communities, pressure groups, trade associations, media, etc.), which indicates the need for greater emphases on relationships where business diplomacy can play a major role in helping companies overcome the identified international businesses constraints.

Muldoon Jr (2005) states that since the 80s TNCs have increasingly taken the world stage influencing “political, economic, and social relations (...) shaping the fundamental values and norms of society and defining public policy and practice” (Muldoon Jr, 2005, p. 341) and therefore they “can no longer downplay its political influence, ignore the social and ecological consequences of its activities, nor dismiss as irrelevant the responsibilities that naturally emanate from power” (Ibid, p. 342).

The result of this new *status quo* of international corporations is the increasing power that has translated into an increasing responsibility in areas far beyond their core business, *i.e.*, “burdened by a growing list of non-market obligations that have been thrust upon the private sector by both governments and non-governmental organizations” (Muldoon Jr, 2005, p. 348). Thus, it has become a great focus of attention and scrutiny (growing demands to be more responsible, more transparent, and more accountable) on a global scale by overall society regarding all its actions.

According to Muldoon Jr (2005) this new environment where TNCs operate alongside the new spectrum of relations that they have to manage forces them to find innovative strategies in order to deal effectively with all this challenges because they affect, more and more each day, the overall success of the businesses due to the fact that, currently, demands are increasingly more professional, media friendly and more extensive to a

wider range of stakeholders (from consumers to regulators, from investors to the general public).

Given the above context the only direction for international corporations to take is to “engage in dialogue with their critics and other stakeholders in finding solutions to problems” (Muldoon Jr, 2005, p. 352), *i.e.*, *diplomacy of business*, “reflected in the amazing number of private sector initiatives, public-private partnerships, and industry-civil society alliances that have been launched in recent years to tackle a range of global issues” (Ibid, p. 353).

Therefore TNCs are required to have know-how in order to negotiate with a wide range of different stakeholders in matters related to non-business issues namely social, environmental and development questions, pushing them to develop a strategy that incorporates all these issues together with the business strategy *per se* (Muldoon Jr, 2005).

In sum the success of the international corporation is today deeply related to the ability of managing its business environment regarding the multiple interactions with numerous stakeholders, market and non-market related, perceiving this way a new form of the *social contract* regarding the relationship between businesses *vis-à-vis* society. Hence there is the need for “their own representational mechanisms to manage the complex relationships that mark today’s global system” (Muldoon Jr, 2005, p. 341), *i.e.*, the *diplomacy of business*.

Sarfati (2007) identifies five main risks of doing business abroad: geographic, economic, political, legal and cultural. The tool to manage them is the establishment of a corporate *foreign policy*, *i.e.*, a “set of objectives that define how a company relates to governments, markets and societies” (Sarfati, 2007, p. 23) in order to leverage its position in the international arena.

The elements considered by Sarfati (2007) in order to apply the *corporate foreign policy* are the market dimension (internal and external analyses of the firm; identification of international businesses opportunities; definition of entry modes strategies; etc.), government dimension (as a regulator, referee and player), society dimension (e.g. the increasing importance of CSR practices, ONGs influence, etc.) and the information dimension (growing power and impact of the media). All of this looked at through the

lens of corporate diplomacy, in addition to its integration in the overall strategy of the multinational corporation.

Ordeix-Rigo and Duarte (2009) corporate diplomacy concept is viewed also in the light of the evolution of the international corporations' role that "have moved from having a narrow mission of producing a certain product or service with the fundamental aim of satisfying clients' needs to incorporating broader missions such as that of managing a range of business in order to get profit" (Ordeix-Rigo & Duarte, 2009, p. 554), *i.e.*, in line with the open organization systems of Mintzberg (1983).

In sum, given all the above, it seems that international corporations are facing new and increasing challenges in the global business and social environment, thus there is an emergent need to be able to overcome and manage this XXI century pallet of international businesses constraints and relationships. Therefore business diplomacy could play an important role in helping multinational corporations accomplish that goal by integrating a tool to manage the old (liabilities) and new (stakeholders) international business constraints, into a single business practice.

2.4. Conclusion

After analysing the international business constraints that corporations face *vis-à-vis* what the concept of business diplomacy can offer them, there seems to be room and relevance to assess how they can envision increasing demands, specific to non-market agents, and if they, in a more or less systematic manner, are applying diplomacy concepts in order to manage and overcome the challenges faced in the international business environment in which they operate.

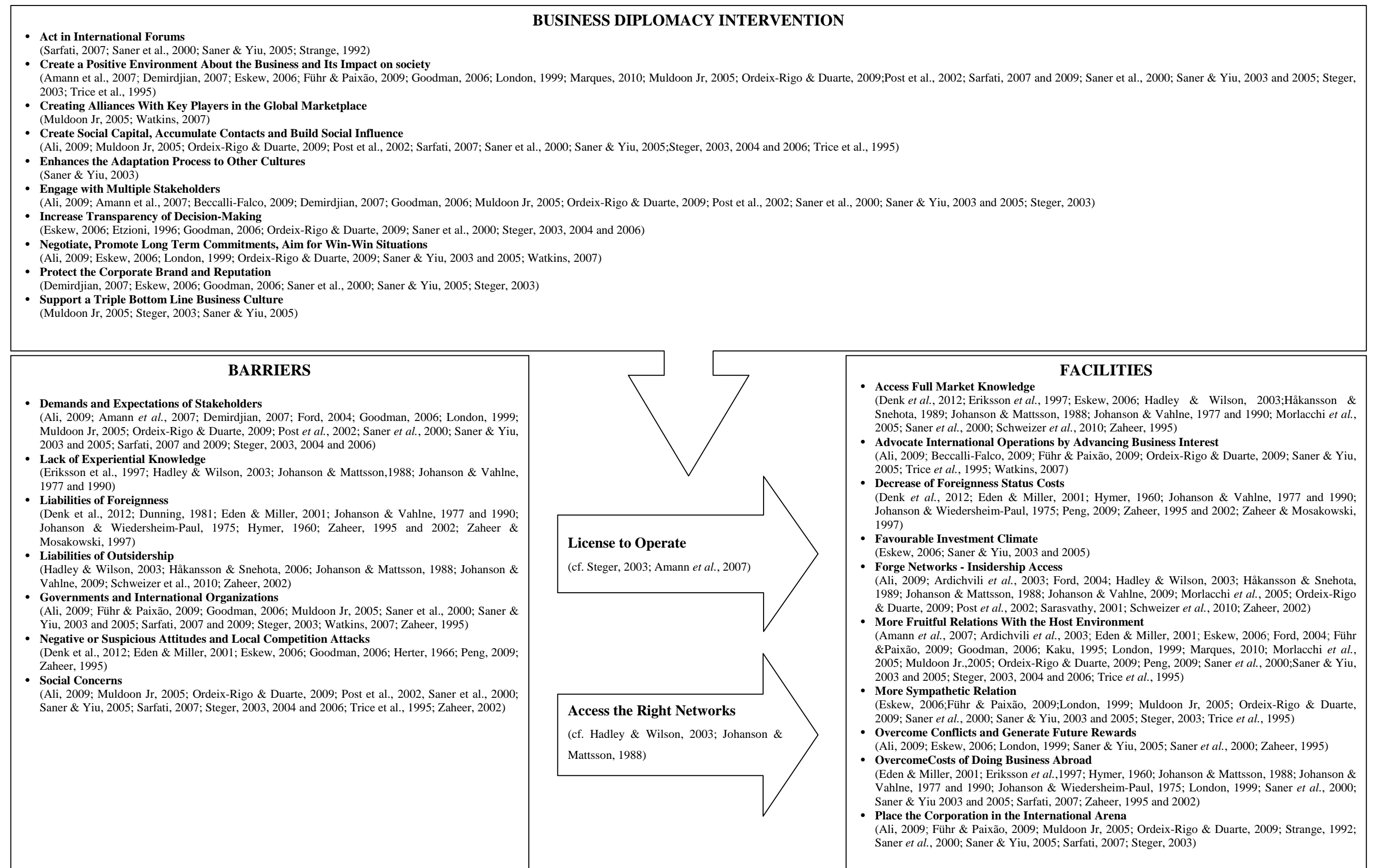
Hence the aim is to evaluate how these corporations envision the international setting where they are established and conduct business, what business practices they have in place in order to cope with that environment, what is the relevance they attribute to non-market issues within the overall strategy of the firm, what the impact is of non-market forces on the overall performance of the firm, to what extent the concepts of business diplomacy are instilled in the culture and organization of the corporation and, lastly, how is this management tool used in order to overcome and manage the international business environment in which they are.

The focus of this particular research differs, although only slightly, from the overall work done until now in this area, in two main aspects: firstly, regarding the type of corporation, *i.e.*, not exclusively MNCs, and secondly, it covers Portuguese enterprises established in foreign markets.

Previously research stated that international corporations are paying increasingly more attention to non-market players that affect their bottom-line however the response is in many cases *ad-hoc or window dressing*. When it is more systematised the posture is frequently unidirectional and not integrated in the overall strategy of the business, which indicates a long distance from the founding principles of business diplomacy.

In conclusion, the following framework (Figure 1) concentrates the above literature review process into four main categories: Barriers, Intervention, Transmission Cables, and Facilities; and subsequent sub-categories, in order to provide an analysis matrix for the empirical findings.

Figure 1: Initial Framework From the Literature



3. Methodological Considerations

In order to achieve the goals of this research project it is imperative to establish the approach that best serves that purpose. In the following sections there will be a description of the type of work that needs to be done and subsequently the method that best serves those demands, alongside choosing the samples, where all of these choices will be justified in light of the goals and the tools available to accomplish them.

3.1. Qualitative Approach

Given the literature reviewed above, the research gap identified and the research questions to address the gap, the research question is better addressed by theory building rather than theory testing, *i.e.* by an abductive approach, because there is no existing framework that can propose a viable response to the questions framed, although theoretical analysis will be used in order to reach a conclusion.

Qualitative research is the tool to address *how* questions rather than *how many* (Pratt, 2009), thus follows the research question: *how* business diplomacy can help firms managing the international business constraints intrinsically associated of doing business abroad.

Nevertheless the related literature review and several concepts regarding the subject, are not suitable to achieve the goals proposed by this research project, hence the need to collect qualitative data in order to comprehend and explain the complex social process that is business diplomacy (Eisenhardt, 1989).

The qualitative approach is being increasingly cited and recognized due to its ability to build bridges between inductive and deductive logics, which in fact, mirror each other, where the former builds theory from cases while the latter tests the existing theory on cases. The past view, that this was less valuable than the large-scale hypothesis testing (Eisenhardt & Graebner, 2007) is gradually fading away.

One of the features of qualitative research is that it allows, and is the best way to examine a real-life scenario, especially when the boundaries between phenomenon and context are not yet clear (Robert K. Yin, 1981).

In the qualitative approach the researcher extracts the meaning of the data, organizing it into categories, creating their own standards, categories and subjects, from bottom to top, organizing the facts in units of information, working from one side to the other,

between the subjects and the data bank, until a consistent set of themes establish itself (John W Creswell, 2010).

The fundamental ideal of the qualitative method is to learn about the problem with the participants and to guide the research in a way to obtain that information, in an interpretative way, *i.e.*, the researcher makes an interpretation of what he observes. In the end a broad framework emerges, which compiles a report of the different perspectives and the factors identified (Creswell, 2010).

3.1.1. Systematic Combining

Dubois and Gadde (2002), suggest an approach based on systematic combining grounded in an abductive logic when regarding case research with the purpose of theory development.

In this approach the openness to reorient the study is clear, there is the possibility of rewriting the case and therefore changing the focus of the work with an implicit reshuffle regarding the theories considered in the beginning, *i.e.*, systematic combining. The main characteristic of this approach being the permanent interaction between two worlds: empirical and the model.

In the process, subsequent to the collection of empirical data, the research questions and the theoretical framework are being constantly confronted. This process is particularly relevant to the development of new theories (Dubois & Gadde, 2002).

The systematic combining of Dubois and Gadde (2002) comprises two processes, the first regarding the matching of theory and reality, and the second regarding the direction and redirection. These two processes are affected by four factors: what is happening in reality, available theories, the evolution of the case and the analytical framework.

This method has strengths, such as its relation to the real world, and weaknesses, such as over reaching interpretations of the data, *i.e.*, biased readings of the findings to follow a particular direction or to adhere to a specific framework or theory, which means the need for greater intellectual integrity. This is where the process of systematic combining comes in order to achieve a stronger reliance on theory and less on pure induction.

Thus, it's an abductive approach to case research, *i.e.*, studying the relations between everyday language of the real world *vis-à-vis* theoretical concepts, the main challenge

being the ability to handle the interrelationships of the various elements, and implying a contribution from both the inductive approach (developing propositions from theory) and deductive approach (developing propositions from data). Nevertheless systematic combining is more related to the first approach.

The major contribution of systematic combining is the ability to follow a path that is not a series of planned and subsequent steps but the ability to go back and forth following the empirical data collected and the theories available to support those findings.

It is a cyclical process of continuous confrontation at two levels: between the theoretical and empirical world and between the framework and the case, that promotes a matching alongside directions and redirections of the overall process relative to the original preconceptions. It suggests a review of the literature that follows the process of data collecting and analyses, *i.e.*, it implies an open-minded attitude of continuous adjustment to the literature available and therefore free of the straitjacket regarding the classical deductive approach (Eisenhardt & Graebner, 2007).

In sum systematic combining is a constant process of questioning, hypothesizing and comparison and in that way, with regards to this research project, the qualitative approach is the one that best serves the needs to gather data in order to address the research questions at hand.

3.2. Practical Implications

In order to empirically address the research question it is necessary to, primarily, identify a sample of businesses that can be especially relevant, by providing rich information about their management practices (attained through personal interviews), and then, establish the principles of the data procedures in order to comply with a rigorous system regarding the information collected.

3.2.1. Sample Selection

The aim, following the theory building from cases, is to develop the theory. Hence the sample does not aim to be representative of the population in order to generalize the findings and therefore test the theory; it is based on particular cases that can better offer insights regarding the research questions framed (Eisenhardt & Graebner, 2007).

Regarding the number of samples for the research, the number *per se* is irrelevant because what really matters is the number of replications that are aimed to achieve, *i.e.*, the necessary to detect an effect (Yin, 2009), so there is no magic number (Pratt, 2009). Thus the number of cases depends on the degree of certainty that we want to accomplish, and in the cases where theory is subtle (which it is in this case) a greater amount of certainty (cases) is necessary in order to achieve replications (Yin, 2009), moreover, there is no similar research that can provide to us with a reference in this matter.

As the abductive approach was chosen there is no need to comply with statistical generalisation, thus the samples do not need to be built in order to achieve statistical inference (Dubois & Gadde, 2002).

When dealing with systematic combining the sampling procedure is similar to that of theoretical sampling in grounded theory, *i.e.*, the major concern is to gather a sample that promotes an appropriate matching between the reality and the theoretical constructions, a continuous and interactive process between the data collected and the data searched, an osmosis process (Dubois & Gadde, 2002).

The idea that samples, when regarding cases, must represent a population, *i.e.*, are able to be used in large-scale hypotheses tests, is wrong. Therefore the question is how can a theory generalise if the cases are not representative, the answer being that the aim is not to test a theory but to develop a theory (Eisenhardt & Graebner, 2007).

Therefore theoretical sampling is appropriate (not random or stratified), *i.e.*, the cases are selected because they are particularly suitable for generating theoretical insight (Eisenhardt & Graebner, 2007; Pratt, 2009), in this case regarding an emergent phenomenon (business diplomacy) in order to extend the existing theory (Eisenhardt, 1989).

The samples are chosen by their contribution to the development of the theory of the case and not by the uniqueness of a given case, *i.e.*, they are chosen for theoretical reasons such as replication, extension of the theory, contrary replications or elimination of alternative explications (Yin, 2009).

It is all about the cases that best help to understand the problem and the research question framed (vs. a sample or a random selection), for example, by a semi-structured

interview, in a small number, that aims to raise questions and opinions of the participants (Creswell, 2010).

In conclusion the final goal is to achieve *theoretical saturation* and *data saturation* until the moment where further additions have minimal effect with respect to the main objective of the research project (Eisenhardt, 1989). Nevertheless, the sample intervals usually range, within qualitative research and depending on the authors, between 5/6 or more (Yin, 2009) to 8 (Eisenhardt, 1989; Meredith, 1998), this last number being the most commonly accepted average.

According to this view Annex 1 comprises a list of corporations that complement each other in the sense that they portray different types of relationships regarding non-market actors, executing different types of activities, in order to embrace the most comprehensive scope of the external environment in which businesses operate and where business diplomacy can be employed.

The reason for selecting the following companies was to be able, by addressing different sectors, to cover, as much as possible, the entire stakeholder's universe which was identified throughout Chapter 2, and so each firm is, in principle, more strongly related to a specific type of actor(s) due to its activity and subsequently area.

It is noteworthy that the initial theoretical sample was comprised of 13 companies, which were all contacted: Bluepharma, CGC Genetics, ColorADD, Delta, EDP, Efacec, Frulact, Galp, Inapa, Jerónimo Martins, Mota-Engil, Parfois and Portugal Telecom. On the 27th of February the first requests were made, and on the 22th of March the first interview was conducted (Bluepharma), until the final one on the 4th of July (EDP).

Data saturation was achieved after the 8th firm (Frulact), corresponding to the 11th interview (more than one informant per corporation). The remaining 2 interviews (were conducted to achieve theoretical saturation. One of them, a company (GALP) previously identified as very important within its sector of activity (energy) was considered particularly relevant in this context, and the other (EDP) was the second contact of the firm in case, also previously identified as one of the relevant firms to address and try to obtain the most information possible.

In the end information was gathered from 9 firms (Bluepharma, CGC Genetics, ColorADD, Delta, EDP, Frulact, Galp, Jerónimo Martins and Mota-Engil), which corresponded to 13 interviews. Later one firm, and the respective interview, was

dismissed (CGC Genetics, due to the fact that it was not possible to address the basic issue in question, however the data that was possible to gather was used, but not in regard to the full framework in case), resulting therefore in 8 firms and 12 fully validated interviews (Annex 2).

The interviews were all transcribed (almost 200 pages) with the original intention - besides the coding/analyses process - of being attached to this work and thus become available to everyone, in line with the secondary sources that are identified in Annex 6 and that can be accessed by everyone.

But during the interview process it gradually became clear that, in respect to some interviewees - although permission was granted to record the interview - that, possibly due to a lack of awareness, in addition to maintaining a truthful and transparent rapport, information was transmitted that was considered sensitive in respect to business strategy and stakeholders management in particular.

In light of these issues the original discloser intention was questioned, and based on the premise of the qualitative research interview of impose no harm (Qu & Dumay, 2011), the interview transcripts will be available, conditionally, upon request on line and after subsequent evaluation of its validity (<https://docs.google.com/file/d/0B8C5S1qNXyXHN0lZMTJyWUhEa28/edit>).

A brief description of the firms in addition to the rationale behind the theoretical sample can be found in annex (Annex 3).

3.2.2. Data Procedures

The qualitative data collected should not be transcribed in a narrative-writing approach but in a note-taking approach, *i.e.*, it should be organized around the central subjects with data elements and not in random narratives (Yin, 1981).

The data should be organized in a specific framework - for example consolidating segments of different interviews that address the same topic - but with some flexibility attached in order to be able to adjust it as the research progresses (Yin, 1981).

Another relevant issue when dealing with qualitative data is coding, and for that it is necessary to use categories that are not too small or too big. Also taken into consideration is the fact that not everything should be coded. Only the data related to

the research question at hand should be, in order to prevent overwhelming amount of codes that can be distractive and unmanageable in the long run (Yin, 1981).

Finally, in order to build explanations, there is a need to correctly interpret the facts, consider some alternative explanations to those facts and in the end come up with a conclusion based on a single explanation that looks most coherent with the facts gathered, a process similar to that of detective work when constructing an explanation for a given crime (Yin, 1981).

The data in qualitative research can be analysed in two main ways, either by coding facts and establishing cross-case patterns or by recognizing analogies (explanations) along different cases with acceptable levels of variation, but whatever the option, the researcher must build a chain of evidence at each step of the way until he reaches a conclusion (Yin, 1981).

The objective is to extract meaning from the data collected, prepare the data for analyses and conduct multiple analyses, going deeper and deeper to comprehend the data, to be able, in the end, to perform a broad interpretation of its meaning (Creswell, 2010).

One of the research strategies of investigation is grounded theory, *i.e.*, systematic steps, generating categories of information (open coding), selecting one of the categories and positioning it inside a theoretical model (axial coding), and then constructing a narrative from the interconnection of those categories (selective coding) (Creswell, 2010), a process that can be used in the systematic combining approach.

The process of analysing the data consists in gathering raw data, organizing and preparing it for analysis, full reading, coding, establishing themes descriptions, inter-relationship of themes and descriptions and, finally, interpretations of themes and descriptions, where the final goal is the lessons learned (Creswell, 2010).

Qualitative validity must be achieved by verifying the precision of the results by employing the appropriate procedures. In terms of qualitative reliability, it must be accomplished by coherent approach between the different cases. The aim of the qualitative approach is not generalisation, as its real value lies in the specific description, *i.e.*, more *particularity* than the *generalizability* (Creswell, 2010).

In order to present the research findings, based on qualitative research in a way that can be easily comprehended there is a need to build a conceptual framework, where it

becomes clear how the results were obtained and how they were interpreted in an aggregate manner (Yin, 1981).

In sum, content analysis is a set of methodological tools that apply to extremely diverse discourses, which is the case here, through the use of multiple techniques (namely category analysis) such as the calculation of frequencies and the extraction of translatable models and structures (Bardin, 2009). Therefore an effort is made to interpret that which oscillates between the rigor of objectivity and the richness of subjectivity, *i.e.*, an attraction of the latent (the unspoken), an unbinding task that is very similar to detective work (Bardin, 2009).

Sources

The primary sources of information were semi-structured interviews, based on an interview guide (Annex 4) that led towards capturing information about the relevance of business diplomacy in the international business environment where these firms operate. The semi-structured interview is recognized as a good instrument to address management issues (Schwartzman, 1993) and is associated to the *localist perspective*, *i.e.*, enables an approach to the world from the perspective of the interviewed (Qu & Dumay, 2011), in this case business managers.

The interview guide is structured into different types of questions namely *introduction questions*, to layout the context of the subject, *indirect questions*, to gradually approach the core subject of the study, and lastly *direct questions*, to confront the interviewee about its real experience *vis-à-vis* the theoretical assumptions laid out before the empirical work (Qu & Dumay, 2011).

Due to the fact that this is a semi-structured interview (vs. a structured interview), the interview guideline may be adapted before and during the interview, according to the type of interviewee and the course of the interview, and so previous access to it is not given (Gill, *et al.*, 2008; Seidman, 2006). Nevertheless, the contextualization of the subject, carried out previously in the letter of request (Annex 5), and other subsequent information can be provided if requested. It is an organic, interactive, osmosis process, where filed notes are integrated throughout the process (Eisenhardt, 1989).

This tool enables the gathering of rich empirical data when the phenomena studied is not a standardized practice that can be evaluated by a given number of pre-established variables. Nevertheless there are advantages and disadvantages to this method as with all the others.

Therefore the aim of the interview is to promote a narrative regarding the subject, specifically about the research questions framed, that can later be intertwined in a pattern-match of theory and data regarding the elements that can be identified across the multiple cases studied (Eisenhardt & Graebner, 2007).

In sum the interview is a relatively spontaneous speech, an expression of what the person lived, in relation to something. The main challenge here being to reconcile the singularity of each case (vertical analysis) with the plurality of all the cases (horizontal analysis), as they are not mutually exclusive but complementary, if carried out two levels of analysis so in order to obtain a greater richness of results (Bardin, 2009).

The interviews were carried out, whenever possible, in a face-to-face manner. This method is commonly accepted as the one that best serves the purposes of qualitative research, and in particular when dealing with semi-structured and in depth interviews, which is the case (Sturges & Hanrahan, 2004).

This approach has the ability to perceive visual cues, such as body language (John W. Creswell, 1998), verbal cues, for instance hesitations (Miller, 1995), and social cues, for example voice intonations (Opdenakker, 2006), that provides valuable information beyond the speech *per se* that is observed in the transcripts.

In concise terms, face-to-face (contrary to telephone) enables the development of a rapport and natural encounter (Shuy, 2003), that impacts the capability of gathering rich qualitative data, mainly due to its ability to establish, in the words of Gillham (2005) an interpersonal chemistry.

In addition to the interview other type of sources were also considered - corporate presentations, newspaper articles, reports, videos and web pages (Annex 6) in order to expand the data available that could be useful to the research project, and thus carrying out triangulation which brings more assurance on the quality of the data and all the information *i.e.*, a stronger consubstantiation (Eisenhardt, 1989).

3.3. Conclusion

Qualitative research, despite criticism, is becoming increasingly recognized as a systematic research tool, as the number of scientific works using this methodology is growing in number and in relevance in the academic world (Yin, 1981).

The ability to gather multiple cases promotes a more robust, precise, generalised and testable basis for theory building (Yin, 2009), thus allowing the verification of whether an occurrence is an idiosyncrasy of a single case or if it is consistently replicable in several cases, therefore becoming easier to realize constructions and relationships, together with the fact that it is more accurate to establish definitions, level, etc., as well as a broader exploration of the research questions and theoretical elaboration (Eisenhardt & Graebner, 2007).

4. Findings

Following the empirical research *vis-à-vis* the original framework (Figure 1), that was built upon the review of the literature regarding the two main fields in question: International Business Constraints and Business Diplomacy, it is now possible to assess the categories and sub-categories in relation to their validity, when compared to the previous theoretical relevance attributed, as well as assess the emergent new categories and sub-categories following the field work.

Table 1 concentrates the results from the coding process (supported by NVivo software), and organizes it into six columns as follows: firstly *Categories* (Barriers, Intervention, Transmission Cables, Facilities and Moderators; secondly *Sub-Categories* (37 in total); the third being relative to *Sources* (the number of sources related to each Category/Sub-Category); fourth concerns *References* (the number of references related to each Category/Sub-Category); the fifth column being *Meaning* (a description of each Sub-Category) and finally Quotation (an example that reflects the Sub-Category).

Initially this was carried out, under the four main original groups of the framework (Barriers, Intervention, Transmission Cables and Facilities) in addition to an all-new category and its respective sub-categories (Moderators). A new sub-category in the Facilitates category emerged after the theoretical screening at the time of the literature review, from the firms' perspective of the internationalisation process and how business diplomacy can help manage the constraints associated to doing business abroad.

4.1. Research Findings

The Barriers category typifies, in a certain manner, the *problem* at hand. The sub-category *Demands and Expectations of Stakeholders* was by far the most referred to in terms of sources and references.

The following three most relevant sub-categories were *Liabilities of Outsidership*, *Liabilities of Foreignness*, and *Governments and International Organizations*, and were more or less equivalent in terms of sources and references.

The remaining three sub-categories, *Negative or Suspicious Attitude and Local Competition Attacks*, *Social Concerns* and *Lack of Experiential Knowledge*, were marginally relevant, and equivalent in relation to sources and references.

Table 1: Finding Analyses (Part 1/2)

Category	Sub-Category	Sources	References	Meaning	Quotation
BARRIERS		74	820		
	Demands and Expectations of Stakeholders	66	434	Demands and expectations of stakeholders with which firms relate and that affect their performance.	"... we have consumer associations that are really obstructive ... I would say they are the most obstructive, the most critical of our stakeholders..." (EDP-MC)
	Liabilities of Outsidership	40	129	Disadvantages relating to the fact that companies are not within certain networks, such as economic, knowledge, etc.	"... you need to look for it, which means safeguarding yourself with help from, namely, local agents, a company subcontracted that provides consultancy.... these are the first to give us the information necessary to carry out our journey, and that is why this obstacle, the main obstacle ..." (BP-AF)
	Governments and International Organizations	31	125	Impediments arising from both national and international entities with which firms relate, and that can affect their capacity to act.	"... we have a barrier, in the middle, which is said regulator, that, although may or may not have influence on the final price of the product, it will definitely have an influential role on whether the product reaches the consumer or not..." (BP-AF)
	Liabilities of Foreignness	17	75	Disadvantages, intrinsic to the foreignness status of non-national companies' vis-à-vis local companies, to their business in the host market.	"... companies start off on equal footing when they approach a certain market, but it is obvious that being foreign, effectively creates an inertial phenomenon from the get go, which means companies have more difficulty in reaching their target public, reaching their market, and this is the case all markets ..." (EDP-MS)
	Negative or Suspicious Attitudes and Local Competition Attacks	15	29	Negative or suspicious attitudes, from the start, as well as acts of collusion by national economic agents against them.	"... the host begins to think about where they come from, what are they here to do, why are they here now, of all the places in the world why chose here, i.e. there is always that host which is less welcoming, straight away, where the population or average citizen has these questions ..." (D-AP)
	Social Concerns	11	16	Host countries' fears that foreign firms will worsen and exploit social conditions.	"... foreign companies are always seen as being more worried about the profit they need to repatriate ... instead of helping the host country..." (EDP-MS)
	Lack of Experiential Knowledge	5	12	Foreign companies lack of experiential knowledge, specifically at an operational level.	"... we were wrong: ... the market approach research was badly executed ... administrative difficulties in the customs processes... I can tell you that we had containers importing raw materials stuck at the port for 2, 2 and a half months..." (Frulact - Pedro Miranda – Secondary Source)
INTERVENTION		80	2122		
	Engage with Multiple Stakeholders	66	434	Firms create mechanisms to engage with multiple stakeholders that affect their performance.	"... we created something called "Meeting with Stakeholders" which basically invites stakeholders that are critical of EDP, to come to EDP and meet with Executive Board of Directors and the remaining macrostructure of EDP- which is around 40 people- to tell us what they think of us and what they think we do less well or badly ..." (EDP-MC)
	Create a Positive Environment About the Businesses and Its Impacts on Society	63	269	Act in a way that creates positive impacts on society, in various forms, due to the existence of foreign businesses.	"... "Origins Sustainability Project" – Three Origins, the Same Commitment Delta Timor S.A. – Citizenship Project - was the seed for the "Origins Sustainability" project. The initial project was based on enabling coffee producers to gain certification for "Origin Coffee from Timor", dynamize lectures and seminars on the coffee culture and promote the sustained development of the communities ..." (Delta – Secondary Source)
	Create Social Capital, Accumulate Contacts and Build Social Influence	64	260	Firms proceed in such a way as to gain recognition by society due to their economic activity.	"... we are carrying out a project in Aparecida do Norte, which is a religious city, like Fatima in Portugal, so I cannot forget, while I am executing this project of a technological nature, that a critical factor of its success lies in guaranteeing that the religious power, that is being represented and that acts there is totally in communion with our objectives..." (EDP-MS)
	Support a Triple Bottom Business Culture	56	236	Firms act in order to incorporate not only the economic element but also the social and environmental elements while doing their business.	"... we created training courses, mainly in Angola, and we are going to do this also in Malawi, in Angola the training centre has been up and running for around 4 years, we train 120 members of staff a year in terms of technical professions, i.e. electricians, mechanics, topographers, machine operators, etc ..." (ME-AM)
	Negotiate, Promote Long Term Commitments, Aim for Win-Win Situations	58	230	Firms negotiate collaborative deals that produce win-win situations in all dimensions of their activity.	"... we were basically challenged by one of our clients that wanted to count on us there, so they could rely on a supplier that would bring more innovation, be more competitive, bring higher quality products that they use in their own products..." (F-PA)
	Protect the Corporate Brand and Reputation	63	214	Firms act in order to protect their good reputation with all the stakeholders with which they relate.	"... within this board of directors we chose 4 personalities that stand out in Brazil, that have a prestigious reputation in Brazilian society...if they were not secure in placing their reputation with a foreign company, they would never have accepted this invitation..." (EDP-MS)
	Create Alliances With Key Players in the Global Marketplace	55	196	Firms create key alliances with various players, in a variety of forms in order to increase their international projection.	"... We are trying to reach a deal with the world marker leader of colouring pencils, FaberCastel, as the problem of colour blindness begins straight away in school..." (CA-MN)
	Increase Transparency of Decision-Making	30	105	In terms of their reasons and <i>modus operandi</i> firms act transparently in relation to all parties, directly and indirectly related to their business.	"... and one of the first things I said to the Polish was the following ... I came to Poland to stay, I want to be a market leader, I did not come to Poland to set up a company and then sell it, make some cash and leave, I came to stay..." (JM-ASS)
	Enhances the Adaptation Process to Other Cultures	25	96	Firms act in order to better integrate the host country and, thus, become better able to respond to its specificities.	"... we thought it best to move ahead with a partnership because at the time they said it was compulsory, to facilitate the adaption to the culture and mainly, to assist with gaining credit..." (Frulact - Pedro Miranda – Secondary Source)
	Leverage Capabilities Through Economic Diplomacy	23	49	Maximise the potential of firms through promotion and sponsorship, namely by the State and other entities.	"... the company moved to the Venezuelan market in 2008, following an official visit promoted by the ex-prime minister José Sócrates to that country..." (BP – Secondary Source)
	Act in International Forums	17	33	Participation and intervention of companies in international institutional arenas, various types of forums, namely associative.	"... I was the first Portuguese to participate in the Davos Forum ...1970 was the first year I attended, we only didn't go in 74, 75 but then we returned, you need to have vision, its fundamental..." (JM-ASS)
TRANSMISSION CABLES		71	531		
	License to Operate	59	290	Allows firms to obtain conditions, to work, from society and respective players, in order to operate in the host market in a completely integrated manner.	"... when Brazil decided to privatise the electricity sector, in the 90s, 17 foreign companies entered this market ... today, of these 17 only 6 remain, among which is EDP... we were only able to do so because we adopted this long term strategy, an integrated view of relations with the stakeholders, otherwise we would have been pushed out of the Brazilian market..." (EDP-MS)
	Access the Right Networks	56	241	Promotes firms' access to various types of networks, that will allow them to leverage knowledge, opportunities, etc.	"... more than 80% of the profit that Bluepharma has generated has come from, or has been possible because of, the network that Bluepharma integrated and that, even now, continues to grow, especially in the internationalisation area..." (BP-AF)

Source: own elaboration.

Table 1: Finding Analyses (Part 2/2)

FACILITIES		74	1253		
	Place the Corporation in the International Arena	53	241	Widen their sphere of influence on an international level in various dimensions.	"... Sinopec considered that the best partnership they have, of all those around the world ... is its partnership with GALP ... remembering that this is biggest petrochemical company in the world..." (G-MR)
	Favourable Investment Climate	45	204	Create conditions that are favorable to the entrance of firms in the host market and to operations thereafter.	"... The President of the country, Juan Manuel Santos, says that there are investors with which Columbia has a good relationship since the beginning and that, with Jerónimo Martins, there was a «click, positive chemistry from day one» ... «it is our ally in the progress we are making to stimulate the economy»..." (JM-Fonte Secundária)
	More Fruitful Relations With the Host Environment	38	188	Create conditions so that firms can maximize their win-win game with various stakeholders with which they relate in the host market.	"... Angola, is an example of where we began to build relationships with small producers of green coffee, the raw material, and here we have been, in fact, for 10 or 12 years contributing so that these small and very small producers know that there is always someone that will buy their green coffee, it is natural in a country without a network, someone that buys and that guarantees that they can invest here, because there will be demand for what is being produced ..." (D-AP)
	Forge Networks - lnsidership Access	40	150	Firms access to certain networks, economic, knowledge, influence etc., in the host country.	"... As we rely heavily on our own brand it means that we must work with or we would like to work with medium and long term partnerships... Thus Mr Pedro Soares dos Santos had the brilliant idea of inviting around 25 to 30 Columbian suppliers, bringing them to Europe and showing them, in a conference that we do every year with Biedronka, what it is to be a Biedronka supplier... When they returned to Columbia, they understood immediately what we wanted to do in that country and that, all of a sudden, opened 20 thousand doors ..." (JM-ML)
	More Sympathetic Relation	27	138	Create conditions for more pleasant relationships between local players in relation to foreign firms.	"... nobody considers us a dominant company, rather they see us as a partner. This is very important in all countries. It is fundamental..." (G-MR)
	Access Full Market Knowledge	32	124	Allows access to relevant data, from various fields, which is essential for firms to act and maximize their capabilities.	"... intelligence helps us to circumvent certain obstacles, it helps us to overcome or facilitate processes and thus it is fundamental to carry out business and our strategy..." (F-PA)
	Decrease of Foreignness Status Costs	25	95	Decrease the intrinsic disadvantages (costs) related to a firms foreignness when compared to local firms.	"... we have been in Malawi for 17 years, when Malawi, currently, had to sign large public investment contracts. it demanded that part of the construction services were to be carried out by local companies, beside other locals, Mota-Engil was considered a local company..." (ME-AM)
	Overcome Costs of Doing Business Abroad	23	85	Allows firms to minimise some costs relating to their foreignness when doing business abroad.	"... For example South Africa, the first time we visited to look closer at the market and see what opportunities were to be taken by our group, was by invitation from the previous AICEP Chairman, Basílio Horta, who went on a mission to South Africa with ten businessmen, amongst which he invited our Chairman and since that mission we began working on the project and after two years we had implemented an industrial unit there ..." (F-PA)
	Advocate International Operations by Advancing Business Interests	12	17	Allows firms to leverage their potential on the international market via changes in the economic context in which they operate, endorsed by themselves or by other entities.	"... how can we generate preference for Portuguese companies, because we are in a competitive market and free trade is important: the products must be registered in Portuguese..." (BP-AF)
	Overcome Conflicts and Generating Future Rewards	5	11	Create conditions that decrease disagreements and reach win-win solutions with the various stakeholders the firm relates to.	"... it's an easier conversation, they seem more open to finding solutions for any problem or obstacle that arises...this is good and facilitates business deals..." (D-AP)
MODERATORS		37	181		
	Market Conditions	23	56	The economic cycle and market dimension has an impact on the approach of firms regarding matters of business diplomacy framework.	"... the moment that Portugal is living in is not good so a positive reponse cannot be had. We are all interested in the stakeholders, information, image, all of it..." (ME-AM)
	Country of Origin Effect	14	43	The type of image the home country projects which is associated by default to the companies of that country.	"... Portugal has a very good reputation abroad..." (G-MR); "... In Portugal today I think it's neutral, it is indifferent and this is not good in the business world..." (D-AP)
	Sector of Activity	15	39	The sector of the firm, with more or less (real or potential) impact on the host country, increases the demand to employ business diplomacy practices and vice-versa.	"... EDP is a company that acts in a strategic economic sector, thus the energy sector is fundamental to the working of the economy..." (EDP-MS)
	Importance of the Culture Regarding Business Relationships	9	16	The culture of the host country affects the level of demand regarding the need of engagement of business diplomacy practices.	"... the internationalisation process in Spain ... and the role of diplomacy? Zero! A little more than zero. ... courtesy, but not much more, why? In markets like the European market not much ... I do not think it is important because, despite everything, the rules work, everything is established. Now in countries of Africa or Latin America Latina, there yes..." (G-MR)
	Alternative Attitudes Regarding the Principles of Business Diplomacy	4	12	An attitude of relativism, detachment or misinterpretation regarding the concept and respective goals of business diplomacy.	"... The company is very focussed on the business... it is our way of being, always focussed on the project ..." (BP-PBR)
	Relative Corporate Dimension	6	11	The size of the firm affects the impact of it in the host country hence it increases the need to employ business diplomacy practices and vice-versa.	"... in São Paulo, for example, we are already smaller, we are a company, together with other that provide services, therefore we are not the focus, we are not at the forefront as we are in Espírito Santo, where we are practically leaders..." (EDP-MS)
	Level of Engagement of Firms Abroad	3	4	The level of internationalisation of the firm (ranging from indirect export to foreign direct investment), affects the impact of it in the host country and hence the level/need of engagement of business diplomacy practices.	"... in places we are directly, widening intervention is always on our mind, not just in the business world, but also beyond business... But that is easier in places we are directly, Africa is a good example as we have a direct presence..." (D-AP)

Source: own elaboration.

Overall Total	81	4907
---------------	----	------

The Intervention category embodies, in a sense, the operational *tool* of business diplomacy. The sub-category *Engage with Multiple Stakeholders* was in line with the mirror sub-category mentioned in the previous category (*Demands and Expectations of Stakeholders*) and was also the most significant in terms of references and sources.

These three sub-categories followed: *Create a Positive Environment about the Business and its Impact on Society*, *Create Social Capital*, *Accumulate Contacts and Build Social Influence* and *Support a Triple Bottom Line Business Culture*. These compiled a common social denominator, and were also relevant, and equivalent in relation to sources and references.

The subsequent three sub-categories, *Negotiate*, *Promote Long Term Commitments*, *Aim for Win-Win Situations*, *Protect the Corporate Brand and Reputation* and *Creating Alliances with Key Players in the Global Marketplace* were also quite significant, and equivalent regarding the number of sources and references.

The remaining four sub-categories, *Increase Transparency of Decision-Making*, *Enhance the Adaptation Process to Other Cultures*, *Leveraging Capabilities Through Economic Diplomacy* and *Act in International Forums* were secondary. In terms of sources and references they were comparable.

The Transmission Cables category exemplifies the two main dimensions of the internationalisation process, *i.e.*, the issue of the licence to do business in foreign markets and the ability to connect with business networks, which are underlined in the previous category (Intervention) and the outcome described in the next category (Facilities). In a sense this category typifies the two main conductors of the question at hand.

The sub-category *License to Operate and Access the Right Networks*, were significantly relevant, and equivalent, in relation to sources and references.

The Facilities category demonstrates the *outcome* of applying the business diplomacy *tool* (Intervention) to the *problem* (Barriers. Here the sub-category *Placing the Corporation in the International Arena* was the most referred to in terms of sources and references.

These three sub-categories then followed, *Favourable Investment Climate*, *More Fruitful Relations with the Host Environment* and *Forging Networks - Insidership*

Access, which were also relevant, and fairly comparable in relation to the number of sources and references.

The subsequent four sub-categories: *More Sympathetic Relation*, *Access Full Market Knowledge*, *Decrease of Foreignness Status Costs* and *Overcoming Costs of Doing Business Abroad* were moderately relevant, and approximately equivalent with regards to the number of sources and references.

The remaining two sub-categories, *Advocate International Operations by Advancing Business Interest* and *Overcoming Conflicts and Generating Future Rewards*, were of minor relevance, and equivalent in terms of sources and references.

The Moderators category is a brand new category (as are all of the respective sub-categories), beyond the theoretical framework, that arose from the literature review process. It embodies several variables that determine the level of need and/or demand of firms to engage in business diplomacy practices in order to overcome the intrinsic barriers of doing business abroad.

The sub-categories *Market Conditions*, *Country of Origin Effect* and *Sector of Activity*, were the most referred to in terms of sources and references

The subsequent three sub-categories, *Importance of the Culture Regarding Business Relationships*, *Alternative Attitudes Regarding the Principles of Business Diplomacy* and *Relative Corporate Dimension*, were reasonably relevant, and equivalent regarding the number of sources and references.

The last sub-category, *Level of Engagement of Firms Abroad*, was of minor relevance in relation to the overall category in what concerns sources and references.

4.2. Findings Discussion

After the above *description* of the results, now follows the *critical analyses* of the findings, *i.e.*, assess whether the data collected is in line, or not, with the theoretical assumptions built upon the literature review in addition to discerning the level of significance attributed (including the new categories and sub-categories). Thus withdrawing from this comparison all the relevant information in order to understand how business diplomacy can be useful in international business.

Barriers

In this category, the sub-category *Demands and Expectations of Stakeholders* (Saner *et al.*, 2000; Steger, 2003; etc.) was in line with the high theoretical relevance attributed to this topic. This is recognition of the importance it has on today's business activities, where specific players, beyond the firm's basic value chain, are integrated, thus compressing a wider management perspective.

In the statement made by EDP, "... *we have consumer associations that are really obstructive ... I would say they are the most obstructive, the most critical of our stakeholders...*" (EDP-MC), it is possible to perceive the importance that the stakeholder's universe has due to players and/or variables that undeniably affect the bottom-line of businesses and therefore are increasingly considered a cornerstone in management operations with regards to foreign activities.

The following two sub-categories, *Liabilities of Outsidership* (Johanson & Vahlne, 2009; Schweizer *et al.*, 2010; etc.) and *Liabilities of Foreignness* (Eden & Miller, 2001, Zaheer, 1995; etc.), were also very relevant in the empirical findings, thus complying with the theoretical screening. This is especially true in the case of the *Liabilities of Outsidership*, which enhances the view of networks, clusters and other forms of inter-firm collaboration.

Today it is a vital management perspective to face the increasingly complex business environment where firms operate, as exemplified by Bluepharma: "... *you need to look for it, which means safeguarding yourself with help from, namely, local agents, a company subcontracted that provides consultancy.... these are the first to give us the information necessary to carry out our journey, and that is why this obstacle, the main obstacle...*" (BP-AF).

The ability to be part of a network and thus share knowledge, resources, business opportunities, etc., besides leveraging their internal capabilities, is a basic precondition to succeed in this contemporary international business landscape, where the words of Håkansson and Snehota (1989) have never been so true: *no business is an island*.

Hence a crucial factor is the ability to integrate strategic networks in order to leverage the internal capabilities of the firm, a paradox in relation to the past: "... *previously,*

secrecy was at the heart of the business. Today the soul and sharing are the secret to good business...” (Paulo Barradas Rebelo - Secondary Source).

It is interesting to notice in what concerns the *Liabilities of Foreignness* that despite the proclaimed globalisation of the markets, firms continue to experience considerable differences when doing business abroad as mentioned by EDP: “... *companies start off on equal footing when they approach a certain market, but it is obvious that being foreign, effectively creates an inertial phenomenon from the get go, which means companies have more difficulty in reaching their target public, reaching their market, and this is the case all markets...*” (EDP-MS).

So this liability continues to be relevant. The common perception of the erosion of barriers to global trade due to its increasing volume in the last decades, meaning a higher volume of international business transactions does not necessary imply, in this matter, less liabilities to overcome.

In highly regulated sectors, but not only so, where some of the sample firms operate, for example Bluepharma (pharmaceutical), the evidence is clear in relation to the sub-category *Governments and International Organizations* (Muldoon Jr, 2005; Watkins, 2007; etc.). It was intercalated, in terms of number of references, between the two sub-categories previously mentioned and was shown to be in line with the theoretical relevance attributed to this subject in the literature review, indicating the increasing importance of these actors.

The firm in question states: “... *we have a barrier, in the middle, which is said regulator, that, although may or may not have influence on the final price of the product, it will definitely have an influential role on whether the product reaches the consumer or not...*” (BP-AF), which clearly indicates the existence and the relevance of barriers.

There has been growing concern by the state, in terms of regulation, regarding the specifications of the product/service to ensure that they are safe for the consumer on the one hand, and on the other, as a means to create barriers to the entry of other (foreign) players.

The following categories, *Negative or Suspicious Attitude and Local Competition Attacks* (Eden & Miller, 2001; Goodman, 2006; etc.) and *Social Concerns* (Ali, 2009; Trice *et al.*, 1995), were less significant in the overall theoretical screening as they were

very specific subjects, which were in line with a lower number of references in the empirical findings.

This can be explained due to the fact that these subjects are somewhat sensitive matters for firms to address openly (business rivalry, operating conditions, etc.) and for that reason the results may be undervalued. Nevertheless, the issues, such as the first sub-category, *Negative or Suspicious Attitude and Local Competition Attacks*, were mentioned by several interviewees, for example by Delta: "... the host begins to think about where they come from, what are they here to do, why are they here now, of all the places in the world why chose here, i.e. there is always that host which is less welcoming, straight away, where the population or average citizen has these questions..." (D-AP).

EDP stated "... foreign companies are always seen as being more worried about the profit they need to repatriate ... instead of helping the host country..." (EDP-MS), which demonstrates the other sub-category in question, *Social Concerns*.

On the other hand, the last sub-category of this group, *Lack of Experiential Knowledge* (Hadley & Wilson, 2003; Johanson & Vahlne, 1977 and 1990; etc.), given the relevance observed in the literature review, was expected to be a little more significant in the empirical findings. Perhaps due to the fact of this is a very operational and specific matter it did not have much room to be addressed in the overall framework.

Despite that, there was evidence of this given, for example, by Frulact: "... we were wrong: ... the market approach research was badly executed ... administrative difficulties in the customs processes... I can tell you that we had containers importing raw materials stuck at the port for 2, 2 and a half months..." (Frulact - Pedro Miranda - Secondary Source).

Notice that the most important categories concern relationships and knowledge and the lack thereof constitutes the major barriers that firms face in the internationalisation process.

Intervention

This category embodies the operational side of business diplomacy, the first sub-category being *Engage with Multiple Stakeholders* (Amann *et al.*, 2007; Goodman,

2006; etc.), is in line with the mirror sub-category mentioned in the preceding category (*Demands and Expectations of Stakeholders*), i.e., high theoretical significance was attributed to this subject, due to the increasing importance of integrating this variable in today's management functions, in line with the basic premise of business diplomacy.

The most prominent example of this is EDP, "... we created something called *"Meeting with Stakeholders"* which basically invites stakeholders that are critical of EDP, to come to EDP and meet with Executive Board of Directors and the remaining macrostructure of EDP- which is around 40 people- to tell us what they think of us and what they think we do less well or badly..." (EDP-MC), a high level department that responds directly to the CEO, the main goal of which is to ensure the integration of all the stakeholders that influence their activities based upon the arguments that the firm can only operate efficiently when all those actors are involved and taken into consideration in the corporation's overall strategy.

Practical examples of this type of engagement can be found among several others interviewees: Mota-Engil when working with an NGO in Mozambique to provide basic support for the children of a very poor local community where they are building a bridge; Delta when assuring small coffee producers in Africa that their productions will have a buyer; ColorADD when establishing a protocol with the Ministry of Education to promote the use of practices for colour-blind children in school in order to avoid discrimination, etc.

It should be mentioned that the stakeholders' engagement ranges in importance and weight, even in relation to the same firm, from one market to another, due to the fact that these actors are rooted in different cultures, economic settings, geographies, etc., as mentioned by Mota-Engil and Bluepharma, alongside the obvious differentiation when addressing firms of different sectors of activity.

Create a Positive Environment About the Business and its Impact on Society (Eskew, 2006; Post et al.; etc.), *Create Social Capital, Accumulate Contacts and Build Social Influence* (Ordeix-Rigo & Duarte, 2009; Saner & Yiu, 2005; etc.) and *Support a Triple Bottom Line Business Culture* (Muldoon Jr, 2005, Steger, 2003; etc.), were the most referenced subcategories of this category and compile a common social backdrop, despite different approaches to the subject.

This topic, which was fairly relevant in the theoretical assessment due to the importance attributed in the literature review to matters related to the CSR universe, was, as to be expected, relevant in the empirical findings, because these themes have emerged and consolidated in the front-line of management concerns when addressing the stakeholders issue, and the subsequent need to deal with the surrounding environment where the firm operates.

Furthermore, this subject (CSR) has become a matter that is somewhat politically correct to acknowledge and therefore to publicize, which can be seen extensively in the empirical research conducted and thus the reason for its significance levels in the empirical findings.

Examples of the three sub-categories above can be found, respectively, in three different interviewees (Delta, EDP and Mota-Engil).

Firstly in the case of Delta: "... *“Origins Sustainability Project” - Three Origins, the Same Commitment Delta Timor S.A. - Citizenship Project - was the seed for the “Origins Sustainability” project. The initial project was based on enabling coffee producers to gain certification for “Origin Coffee from Timor”, dynamize lectures and seminars on the coffee culture and promote the sustained development of the communities...*" (Delta - Secondary Source).

Secondly as stated by EDP: "... *we are carrying out a project in Aparecida do Norte, which is a religious city, like Fatima in Portugal, so I cannot forget, while I am executing this project of a technological nature, that a critical factor of its success lies in guaranteeing that the religious power, that is being represented and that acts there is totally in communion with our objectives...*" (EDP-MS).

And thirdly as mentioned by Mota-Engil: "... *we created training courses, mainly in Angola, and we are going to do this also in Malawi, in Angola the training centre has been up and running for around 4 years, we train 120 members of staff a year in terms of technical professions, i.e. electricians, mechanics, topographers, machine operators, etc. ...*" (ME-AM)

In conclusion, it seems that the social perspective is one of first connections that firms make when confronted with the need to manage external players outside their value chain and consequently CSR becomes relevant as a business diplomacy tool to accomplish that.

There are two other sub-categories in this group, which are closely related, *Negotiate, Promote Long Term Commitments, Aim for Win-Win Situations* (London, 1999; Saner & Yiu, 2003; etc.) and *Creating Alliances with Key Players in the Global Marketplace* (Ali, 2009; Watkins, 2007; etc.). The empirical findings were in line with the theoretical relevance observed in the literature review, linked to some of the principles of business diplomacy, the ability to connect to other actors and therefore leverage the international scope of the firm.

As Frulact mentioned "... we were basically challenged by one of our clients that wanted to count on us there, so they could rely on a supplier that would bring more innovation, be more competitive, bring higher quality products that they use in their own products..." (F-PA) and by acting this way it enables the firm to leverage its international scope by establishing the right business connections.

ColorADD referred, "... We are trying to reach a deal with the world marker leader of colouring pencils, Faber-Castel, as the problem of colour blindness begins straight away in school..." (CA-MN), which demonstrates the need of engagement through business diplomacy practices to access the international arena of the sector in question.

In line with the theoretical relevance in the literature review, was the sub-category *Protect the Corporate Brand and Reputation* (Demirdjian, 2007; Saner *et al.*, 2000; etc.). It was in between the two sub-categories mentioned above, which reflects a real concern of businesses to work on this issue, beyond the essential product/service, in order to be able to successfully engage with the host countries players (business and non-business related), as argued by the business diplomacy main guide-lines.

This can be acknowledged, for example, in the EDP case: "... within this board of directors we chose 4 personalities that stand out in Brazil, that have a prestigious reputation in Brazilian society...if they were not secure in placing their reputation with a foreign company, they would never have accepted this invitation..." (EDP-MS).

Increase Transparency of Decision-Making (Eskew, 2006; Steger, 2004 and 2006; etc.), was the following sub-category, a little less relevant in the empirical findings than the relevance observed in literature review, which indicates that the subject of transparency is in its early stages (at least to the majority of the firms interviewed) with regards to what is advocated by the principles of business diplomacy, which comprehends a wider

and deeper understanding of this topic, that can be achieved in the future as the concept becomes more rooted in firms management practices.

Despite the above, it is a prime concern to some businesses, like Jerónimo Martins: "... *and one of the first things I said to the Polish was the following ... I came to Poland to stay, I want to be a market leader, I did not come to Poland to set up a company and then sell it, make some cash and leave, I came to stay...*" (JM-ASS).

The sub-category *Enhance the Adaptation Process to Other Cultures* (Saner & Yiu, 2003; etc.), was also slightly less relevant in the empirical findings than the relevance observed in literature review, which can indicate that the issue of cultural adaptation is already inherent to current management practices of doing business abroad, some sort of pre-requisite, and for that reason probably less mentioned by the interviewees.

Its importance however remains, despite the proclaimed globalised world economy, as we can seen, for example, by the statement of Frulact: "... *we thought it best to move ahead with a partnership because at the time they said it was compulsory, to facilitate the adaption to the culture and mainly, to assist with gaining credit...*" (Frulact - Pedro Miranda - Secondary Source).

The second to last category was a new one that emerged in the empirical findings after the literature review process, *Leveraging Capabilities Through Economic Diplomacy*, that embodies the ability of firms to take advantage of state endeavours to promote sectors and businesses in the international markets, *i.e.*, economic diplomacy, in order to benefit from exposure and endorsement in the international arena.

These types of events (trade missions, state/official visits, etc.) can break barriers and promote new business opportunities: "... *the company moved to the Venezuelan market in 2008, following an official visit promoted by the ex-prime minister José Sócrates to that country...*" (BP - Secondary Source), notwithstanding, the subsequent work of firms to transform the possibility into reality.

Today, however, it should be mentioned that the functions normally attributed to the State, of promoting and facilitating the internationalisation process of national businesses, *i.e.*, economic diplomacy, given the mounting limitations of their capabilities (budget), alongside the growing presence of firms in geographies increasingly more distinct in relation to the home country in all dimensions (ex: culture), are now being provided by the firms, with effective presence in the market.

They are providing the market intelligence data for other firms (related or not-related to the same sector) that replace (if they don't exist) or surpass many times (if they do exist) the formal institutional channels of the State.

This was clearly mentioned by Bluepharma "... *companies that do not belong to the same sector as Bluepharma, contact us basically to ask Bluepharma things that other entities could try to answer, but do not because they do not have that information... we also help tear down barriers for others ... the country is small, we talk and already we have been helped more than through more institutional channels. This non-institutional path is much more fruitful in providing us with information...* (D-AF).

Act in International Forums (Saner & Yiu, 2005; Saner *et al.*, 2000; etc.), the last sub-category of the group (besides the new one that emerged from the empirical findings) was the least significant in terms of empirical findings, in contrast to the literature review screening where it was somewhat more relevant. This can be in part related to the size and consequently the international projection of the firms in this sample, however there was an overall reorganization of the importance of this issue.

An example of that can be observed in the statement by Jerónimo Martins: "... *I was the first Portuguese to participate in the Davos Forum ... 1970 was the first year I attended, we only didn't go in 74, 75 but then we returned, you need to have vision, its fundamental...*" (JM-ASS).

Transmission Cables

This category and the two respective sub-categories, *License to Operate* (Amann *et al.*, 2007; Post *et al.*, 2002; etc.) and *Access the Right Networks* (Håkansson & Snehota, 1989; Johanson & Mattsson, 1988; etc.), were in line with the theoretical relevance and the empirical findings in relation to the overall framework, due to the fact that they, indeed, embody the two main pillars of business diplomacy, *i.e.*, the imperative need to obtain a broad licence to operate plus the increasing demand to access the right networks in order to thrive in the internationalisation process.

The importance of these two dimensions can be observed, first in relation to the need to obtain a license to operate, by EDP: "... *when Brazil decided to privatise the electricity sector, in the 90s, 17 foreign companies entered this market ... today, of these 17 only 6*

remain, among which is EDP... we were only able to do so because we adopted this long term strategy, an integrated view of relations with the stakeholders, otherwise we would have been pushed out of the Brazilian market..." (EDP-MS).

Secondly, the importance of accessing the right networks can be testified by the statement of Bluepharma: "... more than 80% of the profit that Bluepharma has generated has come from, or has been possible because of, the network that Bluepharma integrated and that, even now, continues to grow, especially in the internationalisation area..." (BP-AF).

Concerning the problem at hand - the intrinsic barriers of the internationalisation process - the ability to obtain a broad licence to operate regarding the full scope of stakeholders that constitute the foreign environment where the firm will operate and thus engage with, and the ability to access the right networks in order to leverage the built-in capabilities of the firm through the design of strategic associations, these are indeed the two pillars underlying the overall principles advocated by the concept of business diplomacy in order to overcome the inherent obstacles of doing business abroad.

Facilities

In this category the sub-category *Placing the Corporation in the International Arena* (Sarfati, 2007; Strange, 1992; etc.) was the most observed in the empirical findings, in line with what was expected in the theoretical assessment, due to the main objective that underlies this research, the internationalisation efforts of the firm, as described, for example, by GALP: "... Sinopec considered that the best partnership they have, of all those around the world ... is its partnership with GALP ... remembering that this is biggest petrochemical company in the world..." (G-MR).

Thus the ultimate goal of the firm is to expand its international footprint and that is the bottom-line purpose of the business diplomacy tool, *i.e.*, to provide corporations with the best conditions possible in order to obtain its full potential through the minimisation of obstacles inextricably related to foreign endeavours.

The subsequent sub-category, *Favourable Investment Climate* (Eskew, 2006; Saner & Yiu, 2005; etc.), is a key element proposed by the business diplomacy tool, and this

matter was in line in the empirical findings with the significance attributed in the theoretical screening, as portrayed for example by Jerónimo Martins: "... *The President of the country, Juan Manuel Santos, says that there are investors with which Columbia has a good relationship since the beginning and that, with Jerónimo Martins, there was a «click, positive chemistry from day one» ... «it is our ally in the progress we are making to stimulate the economy»...*" (JM-Secondary Source).

The ability to create a friendly relationship with the main stakeholders of the host country is a key issue because the type of relationship achieved can make all the difference between success and failure of the internationalisation process, especially when the activity in question demands the approval (blessing) of state officials (ex: regulators, governmental licenses, etc.).

The initial contact of the firm with the host country *i.e.*, all the preliminary assessments even before the decision to internationalise or not, constitute in fact a pure exercise of business diplomacy to the extent that the firm aims to engage with all the stakeholders relevant for doing business in that foreign market in order to obtain all the best conditions possible to operate in the most efficient way possible, as seen in the internationalisation process above of Jerónimo Martins in Colombia.

The following two sub-categories are closely related, *More Fruitful Relations with the Host Environment* (Kaku, 1995; Steger, 2003; etc.) and *More Sympathetic Relation* (Eskew, 2006; Muldoon Jr, 2005; etc.). They are also vital elements promoted by the business diplomacy concept, which were highlighted in the literature review and had the expected correspondence in the empirical findings.

It is imperative to overcome the natural detachment related to initial foreignness condition over time, hence the need to establish real and mutual beneficiary relations with local actors in order to gradually diminish that status and, by doing so, gradually increase the perception of native actor.

Evidence of the importance of these sub-categories above can be found, in the examples of Delta and Galp, respectively: "... *Angola, is an example of where we began to build relationships with small producers of green coffee, the raw material, and here we have been, in fact, for 10 or 12 years contributing so that these small and very small producers know that there is always someone that will buy their green coffee, it is natural in a country without a network, someone that buys and that guarantees that they*

can invest here, because there will be demand for what is being produced..." (D-AP), and "... nobody considers us a dominant company, rather they see us as a partner. This is very important in all countries. It is fundamental..." (G-MR).

Forging Networks - Insidership Access (Håkansson & Snehota, 1989; Johanson & Vahlne, 2009; etc.) which was intercalated in the two sub-categories mentioned above, can be linked to the following sub-category of this group, *Access Full Market Knowledge* (Hadley & Wilson, 2003; Johanson & Vahlne, 1977; etc.). Both were very relevant in the theoretical assessment and more or less met the expectations in the empirical findings.

Forging Networks - Insidership Access should have been slightly more significant, due to the relevance in the theoretical assessment, however it was not because there is still, especially in some business sectors, some reservations about working in networks and not recognising how, in doing so, it enables firms to engage in a positive-sum relation and leverage their capabilities when facing the challenges of international markets.

This sub-category reflects another sub-category *Liabilities of Outsidership* (of the barriers category), resulting in a process that perfectly embodies the dynamics expressed in the framework, *i.e.*, the existence of *barriers*, followed by the *intervention* of the business diplomacy tool, broadcast by the *transmission cables* that generates the *facilities* (tempered by the *moderators*).

Examples of the importance of the two sub-categories above can be found in the cases of Jerónimo Martins and Frulact, respectively: "... As we rely heavily on our own brand it means that we must work with or we would like to work with medium and long-term partnerships... Thus Mr Pedro Soares dos Santos had the brilliant idea of inviting around 25 to 30 Columbian suppliers, bringing them to Europe and showing them, in a conference that we do every year with Biedronka, what it is to be a Biedronka supplier... When they returned to Columbia, they understood immediately what we wanted to do in that country and that, all of a sudden, opened 20 thousand doors..." (JM-ML) and "... intelligence helps us to circumvent certain obstacles, it helps us to overcome or facilitate processes and thus it is fundamental to carry out business and our strategy..." (F-PA).

The following couple of sub-categories, *Decrease of Foreignness Status Costs* (Johanson & Wiedersheim-Paul, 1975; Zaheer, 1995; etc.) and *Overcoming Costs of*

Doing Business Abroad (Eden & Miller, 2001; Hymer, 1960; etc.) are closely related, and when taking into account literature review relevance they were expected to be more representative in the empirical findings.

This can probably be explained by the non-management perspective, of the majority of the corporations in the sample, regarding the business diplomacy tool to decrease, among others, the intrinsic costs supported by firms when engaging in internationalisation processes.

Nevertheless businesses acknowledge the importance of these matters, like Mota-Engil with regards to the *Decrease of Foreignness Status Costs*: "... we have been in Malawi for 17 years, when Malawi, currently, had to sign large public investment contracts. It demanded that part of the construction services were to be carried out by local companies, beside other locals, Mota-Engil was considered a local company..." (ME-AM).

In relation to the issue of *Overcoming Costs of Doing Business Abroad*, an example can be found in Frulact: "... For example South Africa, the first time we visited to look closer at the market and see what opportunities were to be taken by our group, was by invitation from the previous AICEP Chairman, Basílio Horta, who went on a mission to South Africa with ten businessmen, amongst which he invited our Chairman and since that mission we began working on the project and after two years we had implemented an industrial unit there..." (F-PA).

The remaining two sub-categories are of very little impact because of their specificity, which was also the case in the literature review assessment, and so, did not diverge from the expected, as seen in *Advocate International Operations by Advancing Business Interest* (Beccalli-Falco, 2009; Trice *et al.*, 1995; etc.). It was a pleasant surprise to witness, in the empirical data, specific actions related to this topic because it portrays a very high level of engagement of the business diplomacy tool and therefore was thought to be, in advance, highly improbable that it would be described in such precise terms.

The example in question was given by Bluepharma: "... how can we generate preference for Portuguese companies, because we are in a competitive market and free trade is important: the products must be registered in Portuguese..." (BP-AF), hence it must be noted that the mandatory registration of the products in the Portuguese language in a former Portuguese colony resulted from the actions of the pressure group.

The last sub-category of the group, *Overcoming Conflicts and Generating Future Rewards* (Ali, 2009; London, 1999; etc.), was the least relevant in the empirical findings, but also did not have high significance in literature review screening, probably due to the fact that is a sensitive subject for firms (conflict) and therefore less likely to be openly addressed by the interviewees.

Nevertheless some examples can be found about this subject, for example by Delta: "... it's an easier conversation, they seem more open to finding solutions for any problem or obstacle that arises...this is good and facilitates business deals..." (D-AP).

Moderators

Following the analysis of the data, new topics of interest arose that had not been identified in the previous processes of the literature review. These new insights constitute a new category, Moderators, and its respective six new sub-categories: *Alternative Attitudes Regarding the Principles of Business Diplomacy, Country of Origin Effect, Sector of Activity, Importance of the Culture Regarding Business Relationships, Level of Engagement of Firms Abroad, Market Conditions* and *Relative Corporate Dimension*.

The moderators are value added by this research and are very important because they imply that business diplomacy cannot be carried out in a standard fashion, but that it should be adjusted according to the variables mentioned above for each individual firm, as they are always different from each other.

This new category represents a number of variables (sub-categories), that, depending on their weight in the firm, affect their level of business diplomacy engagement, *i.e.*, the firm is more or less prone to applying this tool, and by default also moderating the effects of the business diplomacy *per se* in respect to the full scope of what is possible to accomplish in relation to the overall framework (Annex 7).

The sub-category *Market Conditions* was the most significant in the empirical findings, meaning that the domestic context of the firm, *i.e.*, a more or less positive business perspective (growth), affects their predisposition to address subjects related to the business diplomacy universe.

This is not surprising due to the fact that all actions undertaken by businesses are always conditioned by their resources, thus if the economy is blossoming and the firm is growing, it is more prone to engaging in business diplomacy practices, and vice-versa, as mentioned by Mota-Engil: "... *the moment that Portugal is living in is not good so a positive response cannot be had. We are all interested in the stakeholders, information, image, all of it...*" (ME-AM).

Therefore the practice of business diplomacy implies costs that some firms believe are not compatible with moments of crises (budget restrictions), in addition to the fact that the return of this type of investment is not short-term but long-term.

The second most significant category in the empirical findings was *Country of Origin Effect*, that can be positive, negative or neutral, depending on foreign perception, affects the image and reputation of the firms related to the country in question. Hence the need to engage in business diplomacy practices, depending on the current status of the COE, it could be more (negative COE) or less (positive COE) pressing. Although this is not a completely new concept, it is new in this context, in regard to moderating the effects of business diplomacy.

Since Dietcher's (1962) call of attention to the relevance of "made in" (name of the country), theoretical and empirical works have been conducted about the subject and evidence has been consolidated throughout the years about its relevance in business activities of firms in foreign markets, for what is commonly known today as the COO and its consequences, *i.e.*, COE.

Johansson *et al.* (1985) characterized the COO as "the country where corporate headquarters of the company marketing the product or brand is located" (p. 391), and Bilkey and Nes (1982) referred to the COE as a cue question, a variable to be considered in the demand-side matrix, that incorporates, in a cognitive approach, intrinsic (ex: taste, design, etc.) and extrinsic (ex: price, brand name. etc.) information cues.

More recently the COO has been viewed has an evaluation criterion (Bloemeret *al.*, 2009) or as "the expectations based upon prior exposure to the company's product/service or with other companies from the same COO" (Moeller *et al.*, 2013, p 92).

According to the latter this is a type of stigma, a stereotype regarding the image, brand and products of a given country that can be of a positive or negative predisposition, affected by tangible (e.g. governmental regulation, etc.) and intangible (e.g. corporate reputation) variables, the end result of which is the perceived acceptance, or not, of an organization in the host country due to past actions of the organization or the COO of the organization.

Different assessments were made regarding the current *status* of this subject. For example GALP was clearly positive "... *Portugal has a very good reputation abroad...*" (G-MR), however a more negative point of view was given by DELTA, "... *In Portugal today I think it's neutral, it is indifferent and this is not good in the business world...*" (D-AP).

The following most significant category that appeared beyond the empirical work was *Sector of Activity*, i.e., the impact that the type of operations of the firm can have in the host country, where the greater the real and/or potential impact the greater the need (and vice-versa) to engage in business diplomacy practices due to the higher demands of the overall society.

In the sample there were firms with clearly more impact than others (e.g. EDP, energy vs. ColorADD, education). In the few empirical works related to this subject the sectors considered were agro-industrial and pharmaceutical (Saner & Yiu, 2005), alongside other type of works with more emphases on energy, food, etc. (Steger, 2003).

In EDP's statement it is clear that some areas are more sensitive than others regarding the impact on the host country: "... *EDP is a company that acts in a strategic economic sector, thus the energy sector is fundamental to the working of the economy...*" (EDP-MS) which contrasts with other sectors (companies) of non-strategic areas (e.g. entertainment).

The next most significant category that arose, following the empirical work, was *Importance of the Culture Regarding Business Relationships*, i.e., the level of ease in doing business as perceived for example by the annual report produced by the World Bank/International Finance Corporation entitled *Doing Business* (World Bank, 2013) that addresses multiple (11) dimensions.

Firms are frequently required to engage with different settings in relation to their home country, and there are business environments that can constitute a significant challenge

in order to be able to do business in the place in question because of the level of disparity in relation to the firm's benchmark. This can imply, many times, significant adjustments to previous internationalisation plans made in order to accommodate the idiosyncrasies of the target market, or else it risks being outcast.

Hence the level of engagement of business diplomacy practices is more relevant in countries where it is more difficult (and vice-versa), thus the higher demand for the firm to develop closer relations to the local actors in order to make things happen.

A clear example of that can be seen in the case of Galp regarding the different geographies/countries in the world where it operates, facing very different levels of ease of doing business.

Among other foreign markets where the firm has activities, and using as a reference the above-mentioned report, we can see that Venezuela (Latin America) is in the 180th position, Guinea-Bissau (Africa) in the 179th and Spain (Europe) in 44th, among 185 countries, hence the statement: "*... the internationalisation process in Spain ... and the role of diplomacy? Zero! A little more than zero. ... courtesy, but not much more, why? In markets like the European market not much ... I do not think it is important because, despite everything, the rules work, everything is established. Now in countries of Africa or Latin America Latina, there yes...*" (G-MR).

The following most significant category was *Alternative Attitudes Regarding the Principles of Business Diplomacy*, representing a different perspective concerning the concept, *i.e.*, a view that does not perceive it as a management tool or an attitude somewhat parallel to what should be the main focus of the business. It is a *tout court* perspective based solely on the product/service in question, which is no longer compatible with the economic environment of the 21st century and the multiple players that affect the firm beyond their classic value chain.

This perspective was mentioned especially by Bluepharma, "*... The company is very focussed on the business... it is our way of being, always focussed on the project...*" (BP-PBR), but was not generalised to many of the other interviewees. This could indicate a somewhat defensive attitude in order to advocate some independence of the business in regard to other actors, to avoid any misunderstandings, in part also due to the novelty of the concept at hand.

It is interesting to notice, nevertheless, that the above interviewee (Bluepharma) was also the one that has taken the capability of business diplomacy further (cf. sub-category *Advocate International Operations by Advancing Business Interest*). Hence the reference *focused on the business* in fact implies the engagement of business diplomacy practice. This apparent contradiction was possibly due to the fact that the expression of business diplomacy remains generally unknown and therefore somewhat unclear in management environments, and in this case, in particular, is viewed to be somewhat associated to lobbies and not as a tool to leverage the business capabilities of the firm in international environments.

The penultimate sub-category, *Relative Corporate Dimension*, covers the more (relatively big firms) or less (relatively small firms) prone to engage in business diplomacy practices, where the bigger the firm the more repercussions it has in the environment where it operates and simultaneously becomes more subject to the scrutiny of the community, and vice-versa.

Thus size is not a pre-condition to the exercise of business diplomacy, but it does affect the level of commitment required by the business, that is also tempered by the sector of activity in case, *i.e.*, it is not about the size *per se* (Goodman, 2006) but about the impact (real or potential), hence the emphasis on the relativity.

A good example can be seen in the case of a single firm (EDP) that operates in two different settings: "... *in São Paulo, for example, we are already smaller, we are a company, together with other that provide services, therefore we are not the focus, we are not at the forefront as we are in Espírito Santo, where we are practically leaders...*" (EDP-MS).

Despite this it is obvious that the bigger the firm, the bigger the target and hence, the bigger the need to engage in business diplomacy practices, and when the size of the firm is smaller the tool can be employed as needed *per se* (for example due to the sector of activity) or as a form of differentiation in relation to other businesses in order to gain a competitive advantage.

The last sub-category of the Moderators group, *Level of Engagement of Firms Abroad*, was another topic that arose in relation to the original literature setting of business diplomacy, in the sense that this tool can be, once again, more or less applicable depending on the firm's level of presence in the foreign country.

The level of presence can range from indirect exports to foreign direct investment, and therefore the tool can, and is more prone to be used and useful, when the level is higher (and vice-versa), *i.e.*, when there is more direct contact, and thus more impact, in relation to the local actors and the respective business environment where the firm operates.

An example of that distinction can be observed in the case of Delta: "*... in places we are directly, widening intervention is always on our mind, not just in the business world, but also beyond business... But that is easier in places we are directly, Africa is a good example as we have a direct presence...*" (D-AP).

4.3. Conclusion (Global View of the Framework)

According to the findings, business diplomacy works as a strategic management tool that aims, with intervention through the transmission cables, to minimize barriers and create facilities. This effect however is not the same in all circumstances having thus some moderating factors

Hence an improved framework has emerged, which now includes the Moderators category (built from the empirical findings), in addition to the four original categories produced following the initial literature review process: Barriers, Intervention, Transmission Cables, and Facilities (Figure 2).

Following the above analyses of each the sub-categories it is possible to appreciate the aggregate results of the respective groups and subsequently an overall assessment of the global framework, *i.e.*, to confront the theoretical assumptions *vis-à-vis* the empirical findings.

The five categories have a specific order in relation to the main focus of this work (internationalisation process), and so the first category (Barriers) represents the challenges that firms face when going abroad, *i.e.*, the *problem* of the international business constraints. The subsequent category (Intervention) embodies the business diplomacy tool, *i.e.*, what it can offer to firms to overcome the challenges identified in the previous category.

The Transmission Cables category compresses the two main pillars of engagement with international markets (licence to operate and access the right networks). The next category (Facilities) represents the *outcome* of applying the *tool* (business diplomacy) to

the *problem* (international business constraints) and therefore expresses the end result of this process.

Moderators, that in a certain manner provide a new framework for the business diplomacy tool, *i.e.*, gives meaning to it in a broader range of situations where it can be more or less prone to be used and useful depending on a number of variables represented in the respective sub-categories, namely the country of origin perception, the type of culture of the host country, the relative dimension of the firm, sector, level of internationalisation, etc.

This new insight (moderator) enables, in a certain manner, the *democratisation* of the business diplomacy concept, making it more accessible to firms by allowing them to apply it at the level that best suits their interests and at the same time takes into account their own internal capabilities and limitations.

This order makes some sense due to the fact that in the empirical research the interviewees were less prone to revealing problems (Barriers) and keener to transmit actions (Intervention), where the outcomes (Facilities) have also some significance due to the fact that they represent the end result of the route embodied by the framework (internationalisation process) and the main goal of this research work (business diplomacy applied to international business constraints).

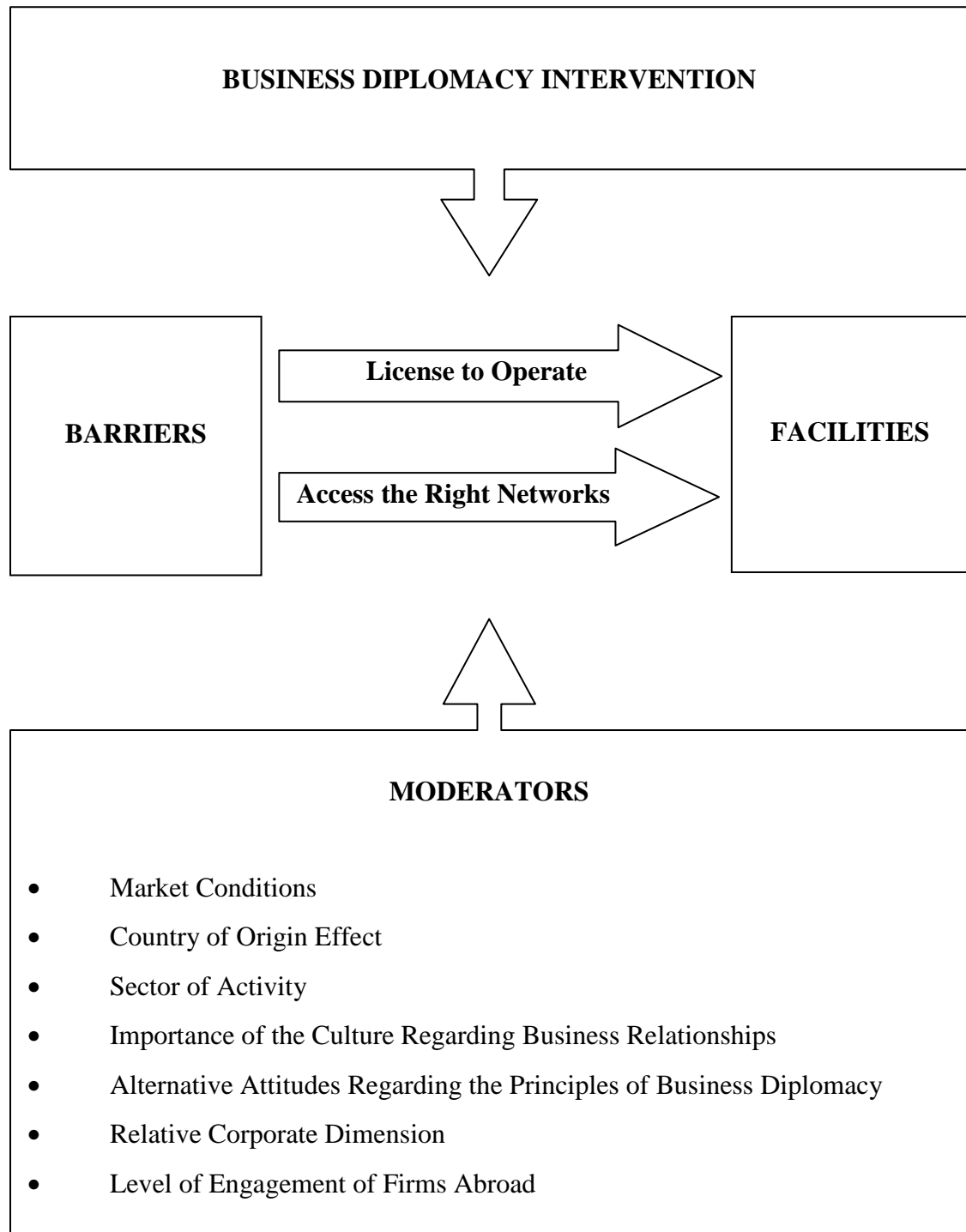
To conclude, in relation to the overall results of the framework, it should be mentioned that due to the fact that this type of data is highly interconnected, some information covered different categories/sub-categories (based on the principle of nothing is, in principle, mutually exclusive), plus some sub-categories, in terms of theme covered, were very close to others and because of that there was some overlapping.

Taking into consideration all the data and analyses above, it is possible to compare the theoretical assumptions and the empirical findings in regards to the usefulness of the business diplomacy tool to help firms overcome international business constraints.

The theoretical assumptions were, overall, observed, to a more or less degree by the empirical findings, *i.e.*, following the undeniable recognition of the Barriers intrinsically associated to the internationalisation process, there was an wider acceptance by the interviewees of the need to engage in multiple dimensions and with multiple actors (Intervention), and most importantly, the considerably significance observed by the output of the tool of business diplomacy (Facilities), recognised therefore by the respon-

Figure 2: Framework in Firm Internationalisation

(cf. Figure 1)



Source: own elaboration.

dents as helpful to overcome international business constraints.

The importance of business diplomacy was therefore broadly recognized in the sense of its relevance in today's international economic landscape where firms operate, *i.e.* a complex web of actors (stakeholders) and relationships (networks) where it becomes imperative to be integrated in the overall strategy of the firm in order to act in the most efficient way possible.

This is true for all business on the global stage, and thus this is not a question of whether or not to acknowledge the notion of business diplomacy because, in fact, this has, increasingly, become an inherent requirement.

Even for those that at a first glance minimize its importance, in the end, as seen in the empirical findings, evidence of the practice exists, even as an informal and non-conscious way, by the fact of the bottom-line of this concept being intrinsically connected to the *raison d'être* of the firm: doing business (abroad).

Although this recognition was observed it should be highlighted that the practice of business diplomacy was not systematized within the firm's organization, by some sort of department or attributed to a specific person(s) - in a more advanced level of engagement personified by the figure of the business diplomat - or even something casually organized or addressed by someone, in regard to the large majority of the firms in the sample (except in the case of EDP where there is already some effective level of systematisation of this practice, as well as GALP in a certain manner).

Despite the above, when the firm has family roots and the main shareholder is embodied in its Chairman, he becomes the natural ambassador of the company and incorporates many of the principles of the business diplomacy concept.

This can be seen in the case of Jerónimo Martins and Mota-Engil, where the latter made the following comment; "... *the fact that this Group is still held in the majority by the same family makes this more true ... here the Chairman, Mr António Mota, personifies, as Group ambassador, the Group's values and history ... his presence on another market brings much more to the table than what Mota-Engil knows how to do or does or sell a product, it also brings the Group's values, its culture...*" (ME-IP).

Hence, despite the recognition and practice of business diplomacy, this activity is conducted in an informal, non-conscious, intrinsic and spontaneous way, in day-to-day business operations, by a multiplicity of people inside the organization, at various levels

and geographies, and so it is something that is there but is not tangible and therefore not easy to identify.

This can partly be explained by the novelty of the concept, and we could see this as a reflection of other emerging areas of management in recent decades (ex: CSR), where they could have been portrayed then like business diplomacy today is.

All of the above considerations are very well expressed in the response of Mota-Engil in regard to the subject of business diplomacy: “... *I think this is to some extent natural, it is not structured...we do not have a department like that, which does only that. I think this is done on a day-to-day basis at all levels and we have many ambassadors. We often say that the Group’s ambassadors are not only the members of the Board of Directors; we are all ambassadors of the Group... Thus I do think it exists, it is present, and it is spontaneous, not structured. We do not have a plan for this as we do for communications, but it is very important, evermore so, especially when companies are in fact multinational and move in very different settings ...*” (ME-IP).

Transversal to almost all of the interviewees, and in line with a major guideline advocated by business diplomacy, was the need and ability to be seen as local economic players wherever the firms operate, as referred very clearly by Mota-Engil “... *we are Portuguese in Portugal, we are Poles in Poland, we are Peruvians in Peru, we are Angolans in Angola, we are Mozambicans in Mozambique, and this is the approach that we have...*” (ME-AM).

Hence the actions related to the exercise of business diplomacy could be expressed in different forms such as: the composition of the board of directors in order to have a representation of the host country society (EDP); a strategic approach to local producers of a future host country in order to convince them to become there business partners (Jerónimo Martins); promoting the use of the native language of the home country in a foreign market in order to obtain a competitive advantage (Bluepharma); adopting a local identity in order to become a native firm where the only difference is that the capital is of foreign origin (Mota-Engil); promoting the business like a social imperative and not a profit driven venture (ColorADD); access business opportunities through social dividends, such as state invitations to explore public business units (Delta); being an active player in the international arena in order to be in the frontline of international

market endeavours (GALP); or by building local networks in the host markets in order to leverage the firm capabilities (Frulact).

Regardless of how it is perceived, business diplomacy constitutes a strategic management tool to the extent that it can contribute in a decisive manner to the positioning of the company in the foreign market.

The increasing recognition of the importance of business diplomacy by firms is rooted more in outside pressures of its surrounding environments (demands and expectations of stakeholders) than in the proactive and voluntary attitude of the firm, as seen also in regard to other past management phenomena (*e.g.* CSR).

Hence the business diplomacy tool can be perceived by firms as something more strategic (internal imperative) or as something more defensive (external demand). These different approaches will produce different results, namely in the latter approach. If it is conducted in a lackadaisical manner it can result in more damage than if no business diplomacy is put into practice, due to the fact of doing nothing, in this context, is better than doing something as a smoke screen, hence the crucial importance of transparency in relation to this subject.

5. Conclusion

The internationalisation process carries specific burdens, for businesses, that have been identified and studied since the breaking works of Hymer (1960) - *costs of doing business abroad* - until more recently that of Zaheer (1995 and 2002) - *liabilities of foreignness* - among others, coupled with internationalisation theories, from the pioneering works of Johanson and Wiedersheim-Paul (1975) - *foundations of the Uppsala Model* - to the later works of Johanson and Vahlne (2009) - *liabilities of outsidership* - amongst others, thus encompassing the subject of international business constraints.

Following the globalisation of markets and the increasingly complex demands that firms face regarding a wide range of agents related directly and, increasingly, non-directly to their business, *i.e.*, beyond the Porter's value chain (1985), business diplomacy has arisen as a strategic management tool in this international economic landscape.

Business diplomacy, as supported, especially, by the works of Saner *et al.*, (2000) - as *a core competency for global companies* - and Steger (2003) - as *the strategy for a volatile, fragmented business environment* - amongst others, enables firms to incorporate into their management scope all the variables that affect their work environment, and therefore their performance, and ultimately their survival in foreign markets endeavours.

The purpose of this research, following the context and variables above, was to build a bridge between the two fields of knowledge underlying this study (international economics regarding the *problem* of international business constraints and international relations regarding the *tool* of business diplomacy) in order to assess how it could be useful for firms to overcome the challenges inherent to the internationalisation process *vis-à-vis* the conditions regarding local firms.

Hence following the original (based upon the literature review) and the enhanced framework (based upon the new insights that have emerged from the empirical research), in addition to all the data collected, coded, analysed and interpreted, by integrating the two areas mentioned above, at the theoretical level the theory of internationalisation of the firm has expanded and at the practical level the international management field is enriched.

At the theoretical level the theory of the internationalisation of the firm is wider in the sense that the tool of business diplomacy can be considered as a new mind-set available for firms to overcome the intrinsic challenges related to doing business abroad integrating dimensions (market and especially non-market related) not previously present in the theory and by doing so enhances the firms capability to reach its full potential free, as much as possible, of the intrinsic depreciating conditions associated to the foreignness status.

However as this point is absolutely new it cannot be seen as the remedy for all ills (*silver bullet solution*), where its effects will be more or less profound in the presence of certain factors.

Hence its practice is important, both at strategic level decisions to day-to-day operations, always adapted to the specific circumstances of each case, *i.e.*, of the firm environment, impact on the host country, internal resources, stakeholders map, etc., hence it is not a *fits all* tool but a *tailor-made* one for each situation.

Thus, on the field, when managers are facing the intrinsic burdens associated to the foreignness status, they can rely on the business diplomacy tool in order to overcome or minimize the challenges at hand. It can embody a wide range of situations from invitations to agents related to the supply chain in order for them to get to know the firm and draw in to business partnerships; it can embody a support to a local association in order to build-up connections to the community; it can be due diligences with government officials in order to obtain the most favourable conditions possible in order to invest in the country, etc.

The business diplomacy tool, in the internationalisation process, should be considered throughout the entire process, *i.e.*, prior to the moment of going abroad, in the planning stage, during the setting-up phase of the future operations, and after, during the period of real activity in the foreign market.

This fact is important because the initial view in the beginning of this work regarding the concept of business diplomacy was that this subject was somewhat a trendy topic confined to a few high profile academic environments (Harvard, Sciences Po), and more importantly, accessible only to a handful of corporations worldwide (GE, Unilever, UPS, etc.).

In addition to the basic question of the usefulness of this tool which has already been answered, and just as important, was the question of the range and accessibility of the original concept, and apart of some initial perceptions that were established in relation to large Portuguese firms (EDP and GALP), it was possible to recognise business diplomacy practices in smaller firms.

Notice that more important than the absolute dimensions of the firm and their available resources, business diplomacy is dependent on the dimension of the impact it may have on the host environment. Hence, this work has promoted the *democratization* of the concept of business diplomacy that alongside its *usefulness*, adjusted by a series of *moderators*, constitutes a triangular perspective that clearly enhances the scope of this topic at academic and empirical level.

Even in other environments, beyond the traditional view of firms, *i.e.*, related to products/services, such as sports and in particular football, we can observe some usefulness regarding this management tool (Coombs & Osborne, 2012).

At the practical level the international management field is enriched in the sense that international managers can consider integrating the principles of business diplomacy into their strategies for international markets, *i.e.*, a new management *mind-set* that is able to embrace a wide spectrum of variables (especially beyond the value-chain of the firm) that increasingly affect the bottom-line of businesses, in sum, to help plan and manage the internationalisation process in a more efficient way.

The relevance of this business diplomacy concept is increasing due to projections of great shifts in the work economy and thus increasing challenges, with projections that in 2050 seven-eighths of the world's population will be living in emerging economies (IBM, 2008), which demands that firms engage in increasingly further and more different environmental settings.

Hence business diplomacy practices in the current and future international business environment is crucial, “... *If you do not do this, you will not succeed in internationalisation or, at most, the success will be tenuous... it's not the sole condition for success but it is a very necessary condition... you may notice that there are many other companies that have the same product and service as us, so it is this work that made the difference...*” (G-MR), *i.e.*, perceive an indispensable tool that can translate into a form of competitive advantage.

However there is evidence of a lack of systematisation of the practice of business diplomacy inside the organization, and this absence makes firms perceive it indifferent ways within the boundaries of the framework established, ranging from: a market intelligence tool (Bluepharma); a way to develop business alliances (Jerónimo Martins); a goodwill asset embodied as a business card (Delta); a distinctive way of engaging with the external environment (ColorADD); a strategic management tool (EDP); a form of assimilation into the foreign environment (Mota-Engil); a broad management perspective (Frulact) or a way to build a competitive advantage (GALP).

In conclusion, there is recognition of its value *per se* and evidence of its practice, albeit informal and spontaneous in the day-to-day management of foreign operations. However in order to take full advantage of this tool, in all its dimensions, it is imperative that corporations integrate it into their organisational matrix and management strategy and move from relative acknowledgement and spontaneity to a true integration and recognition as a *management mind-set*.

This non-professional approach to business diplomacy as a management practice has the risk of becoming underappreciated and misinterpreted regarding its purposes, which can lead it to becoming a management idiosyncrasy, which is not the case as this exploratory work has started to unveil.

In fact business diplomacy can be the *make or break* in today's internationalisation processes, in this increasingly complex, volatile and interdependent global business environment where firms operate.

This was expressed very strongly and clearly by the Vice-President of EDP Brazil: "... *It is a factor for survival if a company wants to maintain its presence in an effective and profitable way on the successful foreign market (...) we live this daily and with this we are basically confirming what this thesis is about. What you have in your study is effectively what happens with us here and we attribute tremendous importance to the management of corporate diplomacy...*" (EDP-MS). The limitations regarding this work, first of all, are that it was based upon a qualitative methodology, which inhibits generalisations, but on the other hand brings to the table issues and discussions that otherwise would not be considered.

Regarding the empirical data collected, taking into consideration the type of groups of the framework, in relation to the one that was perceived to be, in a sense, a difficultly

for the interviewee (Barriers) it was noticed that the feedback was normally adjusted in order to avoid a less favourable position, *i.e.*, a more defensive attitude and hence possibly less significant than it should be in the end results, thus its importance may appear in a way undervalued.

Also, in the empirical research the issue of CSR sometimes clouded the wider perspective implicit in the business diplomacy framework, which although includes this topic goes far beyond it.

Following the issues raised, in future research work, the stakeholder's theory and the networking theory, among others, should be approached, given that both subjects were many times implicit in the overall background.

Hence there is a need, in the future for confirmatory work and conceptual work in order to make business diplomacy, its application and numerous benefits, unequivocal. This can be done, by picking up from a clue provided by an interviewee in the empirical gathering, through a comparative analysis of two internationalisation processes, in the exactly same sector, time-frame and foreign market, with opposing perceptions of the usefulness of this tool, regarding the end result of those choices after a certain period: liberalisation of the energy market in Brazil in the 90's, *Energias de Portugal* (EDP) *vis-à-vis* *Électricité de France* (EDF).

This study, as an exploratory work, does not aim to restrict views or impose limitations on these concepts. On the contrary, it aims to open new doors and new lines of research, giving a new strategic management tool to international businesses, highlighting that firms still face many obstacles when operating in international markets, but also show that business diplomacy can be used in a strategic way to overcome or minimise those challenges.

Business Diplomacy is a real phenomenon, which is already present in the reality of many organizations. As a result it should be included in the academic research that covers the strategies of organizations.

6. References

- Ali, A. J. (2009). Managers and diplomacy. *International Journal of Commerce & Management*, 19(4), 256-259.
- Amann, W., Khan, S., Salzmann, O., Steger, U., & Ionescu-Somers, A. (2007). Managing external pressures through corporate diplomacy. *Journal of General Management*, 33(1), 33-50.
- Ardichvili, A., Cardozo, R., & Ray, S. (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18(1), 105.
- Bank, W. (2013). Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises *World Bank Group*. Washington, DC.
- Bardin, L. (2009). *Análise de Conteúdo* (4ª ed.). Lisboa: Edições 70.
- Beccalli-Falco, F. (2009). The corporate diplomats. *Financial Times*. Retrieved 08-11-2012, from <http://www.ft.com/intl/cms/s/0/8f03208e-d86a-11de-b63a-00144feabdc0.html#axzz2IGGS4J7t>
- Berridge, G. R., & James, A. (2001). *A Dictionary of Diplomacy*. New York: Palgrave.
- Bilkey, W. J., & Nes, E. (1982). Country-of-Origin Effects on Product Evaluations. *Journal of International Business Studies*, 13(1), 89-99.
- Bloemer, J., Brijs, K., & Kasper, H. (2009). The CoO-ELM model: A theoretical framework for the cognitive processes underlying country of origin-effects. *European Journal of Marketing*, 43(1/2), 62-89.
- Bluepharma. (2013). Home, About, Management, Business Develop, Multimedia and News. Retrieved 17-03-2013, from <https://www.bluepharma.pt>
- Carrière, G. C. d. l. (1998). *La diplomatie économique – Le diplomate et le marché*. Paris: Económica.
- Caves, R. E. (1996). *Multinational Enterprise and Economic Analysis*. Cambridge, U.K.: Cambridge University Press.
- ColorADD. (2013). About, Code Application and Media Center. Retrieved 16-04-2013, from <http://www.coloradd.net/>
- Coombs, D. S., & Osborne, A. (2012). A Case Study of Aston Villa Football Club. *Journal of Public Relations Research*, 24(3), 201-221.
- Creswell, J. W. (1998). *Qualitative Inquiry and Research Design: Choosing Among Five Traditions*. Thousand Oaks, CA: Sage.

- Creswell, J. W. (2010). *Projeto de pesquisa: métodos qualitativo, quantitativo e misto* (3ª ed.). Porto Alegre: Artmed.
- Crisóstomo, P. (2012, July 27). Américo Amorim lidera comissão de política internacional na Galp. *Público*. Retrieved 17-12-2012, from <http://www.publico.pt/economia/noticia/americo-amorim-lidera-comissao-de-politica-internacional-na-galp-1556611#/0>
- Delta. (2013a). Company, Coffee, Products, Sustainability and Professionals. Retrieved 01-04-2013, from <http://www.delta-cafes.com/en>
- Delta. (2013b). Quem Somos / Cidadania, Princípios Orientadores do Projeto e Intervenções. Retrieved 01-04-2013, from http://www.deltacafes.com.br/apre_cidadania.php
- Demirdjian, Z. S. (2007). Global Corporate Diplomacy: The Strategy for Survival. *Journal of American Academy of Business, Cambridge*, 11(2), I-II.
- Denk, N., Kaufmann, L., & Roesch, J.-F. (2012). Liabilities of Foreignness Revisited: A Review of Contemporary Studies and Recommendations for Future Research. *Journal of International Management*, 18(4), 322-334.
- Dichter, E. (1962). The World Customer. *Harvard Business Review*, 40(4), 113-122.
- Dicken, P. (2011). *Global Shift: Mapping the Changing Contours of the Global Economy* (6th ed.). Los Angeles: SAGE.
- Dubois, A., & Gadde, L.-E. (2002). Systematic combining: an abductive approach to case research. *Journal of Business Research*, 55(7), 553-560.
- Dunning, J. H. (1981). *International Production and the Multinational Enterprise*. London: George Allen & Unwin.
- Dunning, J. H. (1993). *Multinational Enterprises and the Global Economy*. Wokingham, England and Reading, Mass: Addison-Wesley.
- Eden, L., & Miller, S. (2001). Opening the black box: multinationals and the costs of doing business abroad. *Academy Of Management Proceedings & Membership Directory*, C1-C6.
- EDP. (2013a). About EDP. Retrieved 22-03-2013, from <http://www.edp.pt/EN/aedp/Pages/aedp.aspx>

- EDP. (2013b). Annual Report 2011. Retrieved 22-03-2013, from http://www.edp.pt/pt/investidores/publicacoes/relatorioecontas/Relatrio%20e%20Contas/RelContas11_ENG.pdf
- EDP. (2013c). Corporate Center. Retrieved 22-03-2013, from <http://www.edp.pt/en/aedp/governosocietario/orgaosgovernosocietario/ConselhoAdministracaoExecutivo/Pages/CentroCorporativo.aspx>
- EDP. (2013d). EDPartners Awards. Retrieved 22-03-2013, from <http://devedpartners.logicworks.com.pt/en/#/home/mensagem>
- EDP. (2013e). EDPartners. Retrieved 22-03-2013, from <http://devedpartners.logicworks.com.pt/en/#/home/mensagem>
- EDP. (2013f). Sustainability. Retrieved 22-03-2013, from <http://www.edp.pt/EN/sustentabilidade/Pages/HPSustentabilidade.aspx>
- Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, 14(4), 532-550.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building From Cases: Opportunities and Challenges. *Academy of Management Journal*, 50(1), 25-32.
- Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D. (1997). Experiential knowledge and cost in the internationalization process. *Journal of International Business Studies*, 28(2), 337-360.
- Eskew, M. (2006). Corporate Diplomacy. *Leadership Excellence*, 23(4), 5-6.
- Etzioni, A. (1996). *The New Golden Rule. Community and Morality in a Democratic Society*. New York: Basic Books.
- Ferreira, M. E., & Gonçalves, F. R. (2009). Diplomacia económica e empresas de bandeira: os casos da Galp e da Unicer em Angola. *Relações Internacionais*, (24), 115-133.
- Ford, D. (2004). The IMP Group and international marketing. *International Marketing Review*, 21(2), 139-141.
- Friedman, M. (1970, September 13). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*.
- Friedman, T. (2005). *The World is Flat: The Globalized World in the Twenty-first Century*. New York: Farrar, Straus and Giroux.

- Führ, A., & Paixão, C. (2009). *Diplomacia Corporativa: Factor de Alavancagem Internacional para Empresas Privadas*. Paper presented at the V Congresso Nacional de Excelência em Gestão, Niterói, RJ, Brasil.
- Galp. (2013a). About us, Products and services, Sustainability, Investors and Media. Retrieved 03-07-2013, from <http://www.galpennergia.com/>
- Galp. (2013b). Código de Ética. Retrieved 03-07-2013, from http://www.galpennergia.com/PT/Sustentabilidade/responsabilidade-corporativa/o-suporte-economico/Documents/Codigo_etica.pdf
- Ghemawat, P. (2007). *Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter*. Boston, MA: Harvard Business School Press.
- Gill, P., Stewart, K., Treasure, E., & Chadwick, B. (2008). Methods of data collection in qualitative research: interviews and focus groups. *British dental journal*, 204(6), 291-295.
- Gillham, B. (2005). *Research Interviewing: The Range of Techniques*. Maidenhead, Berkshire: Open University Press.
- Goodman, M. B. (2006). The role of business in public diplomacy. *Journal of Business Strategy*, 27(3), 5-7.
- Hadley, R. D., & Wilson, H. I. M. (2003). The network model of internationalisation and experiential knowledge. *International Business Review*, 12(6), 697-717.
- Håkansson, H., & Snehota, I. (1989). No business is an island: The network concept of business strategy. *Scandinavian Journal of Management*, 5(3), 187-200.
- Herter, A. C., Jr. (1966). Corporate Diplomacy In Foreign Countries: A Challenge to American Business. *Vital Speeches of the Day*, 32(13), 407-409.
- Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Beverly Hills, CA: Sage Publications.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (Eds.). (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA: Sage.
- Hymer, S. H. (1960). *The international operations of national firms: a study of direct foreign investment*. (Ph.D.), MIT, Cambridge, MA (published by MIT Press under the same title in 1976).

- IBM. (2008). Unlocking the DNA of the Adaptable Workforce. The Global Human Capital Study. *IBM Global Business Services*.
- Ietto-Gillies, G. (2005). *Transnational Corporations and International Production: Concepts, Theories and Effects*. Cheltenham, UK: Edward Elgar.
- Jackson, C. D. (1950). Total Business Diplomacy. *Vital Speeches of the Day*, 16(14), 422-426.
- Johanson, J., & Mattsson, L.-G. (1988). Internationalisation in industrial systems: A network approach. In N. Hood & J.-E. Vahlne (Eds.), *Strategies in Global Competition* (pp. 287-314). New York: Croom Helm.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Johanson, J., & Vahlne, J.-E. (1990). The mechanism of internationalisation. *International Marketing Review*, 7(4), 11-24.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411-1431.
- Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm: Four Swedish cases. *Journal of Management Studies*, 12(3), 305-322.
- Johansson, J. K., Douglas, S. P., & Nonaka, I. (1985). Assessing the Impact of Country of Origin on Product Evaluations: A New Methodological Perspective. *Journal of Marketing Research*, 22(4), 388-396.
- Kaku, R. (1995). Kyosei. In R. Trice, M. Hasegawa & M. Kearns (Eds.), *Corporate Diplomacy: Principled Leadership for the Global Community*. Washington, D.C.: Center for Strategic & International Studies.
- Keegan, W. J., & Schlegelmilch, B. (2000). *Global Marketing Management: A European Perspective*. Essex, England: Pearson Education.
- Kindleberger, C. P. (1969). *American Business Abroad: Six Lectures on Direct Investment*. New Haven, CT: Yale University Press.
- Lee, D. (2004). The Growing Influence of Business in U.K. Diplomacy. *International Studies Perspectives*, 5(1), 50-54.

- Levitt, T. (1983). The globalization of markets. *Harvard Business Review*, 61(3), 92-102.
- London, M. (1999). Principled leadership and business diplomacy: A practical, values-based direction for management development. *Journal of Management Development*, 18(2), 170-192.
- Lusa. (2012a, November 21). Bluepharma prevê expansão para Alemanha e Estados Unidos. *Jornal de Negócios*. Retrieved 17-03-2013, from http://www.jornaldenegocios.pt/empresas/detalhe/bluepharma_prevecirc_expansatildeo_para_alemanha_e_estados_unidos.html
- Lusa. (2012b, October 28). ColorADD: Zara, Swatch e Lego com Código de Cores para Daltónicos? *Público - P3*. Retrieved 16-04-2013, from <http://p3.publico.pt/cultura/design/5178/coloradd-zara-swatch-e-lego-com-codigo-de-cores-para-da-tonicos>
- Lusa. (2013, March 13). Lojas da Jerónimo Martins na Colômbia é "Marco Histórico". *Diário de Notícias*. Retrieved 09-04-2013, from http://www.dn.pt/inicio/economia/interior.aspx?content_id=3104486&page=-1
- Marques, J. (2010). Corporate Diplomacy: The Emergence of Brazilian Multinationals. *Conference Papers - International Studies Association*, 1.
- Martins, J. (2013a). Corporate Presentation. Retrieved 09-04-2013, from <http://www.jeronimomartins.pt/media/media-kit.aspx?lang=en&lst=4>
- Martins, J. (2013b). The Group, Our Business, Responsibility, Investor, Media and People. Retrieved 09-04-2013, from <http://www.jeronimomartins.pt/?lang=en>
- McLuhan, M. (1964). *Understanding Media: The Extensions of Man*. New York: McGraw-Hill.
- Melissen, J. (1999). Introduction. In J. Melissen (Ed.), *Innovation in Diplomatic Practice* (pp. xiv-xxiii). Basingstoke, UK: Macmillan.
- Meredith, J. (1998). Building operations management theory through case and field research. *Journal of Operations Management*, 16(4), 441-454.
- Miller, C. (1995). In - depth Interviewing by Telephone: Some Practical Considerations. *Evaluation & Research in Education*, 9(1), 29-38.
- Mintzberg, H. (1983). *Power In and Around organizations*. Englewood Cliffs, NJ: Prentice-Hall.

- Miranda, J. (2012). *Competir a Nível Global: Caso Frulact*. Ciclo de Conferências: Mestrado em Economia e Gestão Internacional. Faculdade de Economia - Universidade do Porto.
- Moeller, M., Harvey, M., Griffith, D., & Richey, G. (2013). The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: An examination of the 'liability-of-foreignness'. *International Business Review*, 22(1), 89-99.
- Morgenthau, H. J. (1948). *Politics Among Nations: The Struggle for Power and Peace*. New York: Alfred Knopf.
- Morlacchi, P., Wilkinson, I. F., & Young, L. C. (2005). Social Networks of Researchers in B2B Marketing: A Case Study of the IMP Group 1984-1999. *Journal of Business-to-Business Marketing*, 12(1), 3-34.
- Mota, F. M. A. (2013). Missão. Retrieved 29-04-2013, from <http://www.fmam.pt/a-fundacao/missao-visao-valores/>
- Mota-Engil. (2011). Sustainability Publication. Retrieved 29-04-2013, from http://www.mota-engil.pt/images/content/2463_2_G.pdf
- Mota-Engil. (2012). Group Presentation. Retrieved 29-04-2013, from http://www.mota-engil.pt/images/content/2561_2_G.pdf?&searchlink=true
- Muldoon, J. P., Jr. (2005). The Diplomacy of Business. *Diplomacy & Statecraft*, 16(2), 341-359.
- Neiva, M. (2011). TEDxO'Porto - Miguel Neiva - ColorAdd. *TEDx Oporto*. Retrieved 16-04-2013, from <http://www.youtube.com/watch?v=rYBeM07kcuo>
- Ögütçü, M., & Saner, R. (2008, July). Fine-tuning Turkey's economic diplomacy. *Eurasia Critic*, 4, 41-47.
- Opdenakker, R. (2006). Advantages and Disadvantages of Four Interview Techniques in Qualitative Research. *Forum: Qualitative Social Research*, 7(4).
- Ordeix-Rigo, E., & Duarte, J. (2009). From Public Diplomacy to Corporate Diplomacy: Increasing Corporation's Legitimacy and Influence. *American Behavioral Scientist*, 53(4), 549-564.
- Paris Institute of Political Studies. (2009). Master Affaires Internationales - Seminar Course. *Corporate Diplomacy*.

- Peng, M. W. (2009). *Global Strategic Management* (2nd ed.). Stamford, CT: South-Western.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press.
- Portugal, G. d. (2013, March 27). Ano Letivo 2012/2013 Já Inclui Código ColorADD Para Alunos Daltónicos. *Ministério da Educação e Ciência*. Retrieved 16-04-2013, from <http://www.portugal.gov.pt/pt/os-ministerios/ministerio-da-educacao-e-ciencia/mantenha-se-atualizado/20130327-mec-comunicado-coloradd.aspx>
- PortugalFoods. (2013). Quem Somos. Retrieved 25-05-2013, from <http://www.portugalfoods.org/quem-somos>
- Post, J., Sachs, S., & Preston, L. (2002). *Redefining the Corporation: Stakeholder Management and Organizational Wealth*. Stanford, CA: Stanford University Press.
- Potter, E. H. (2004). Branding Canada: The Renaissance of Canada's Commercial Diplomacy. *International Studies Perspectives*, 5(1), 55-60.
- Pratt, M. G. (2009). For the Lack of a Boilerplate: Tips on Writing Up (and Reviewing) Qualitative Research. *Academy of Management Journal*, 52(5), 856-862.
- Qu, S. Q., & Dumay, J. (2011). The qualitative research interview. *Qualitative Research in Accounting & Management*, 8(3), 238-264.
- Rebelo, P. B. (2012a). Prémio PME Inovação COTEC-BPI. *COTEC*. Retrieved 17-03-2013, from https://www.youtube.com/watch?feature=player_embedded&v=MS5W8oiv3x8
- Rebelo, P. B. (2012b). Projecto Empresa: Bluepharma. *Económico TV*. Retrieved 17-03-2013, from https://www.youtube.com/watch?feature=player_embedded&v=43q9hIzD_6w
- Saner, R., & Yiu, L. (2003). International Economic Diplomacy: Mutations in Post-modern Times. *Clingendael Discussion Paper in Diplomacy*, No. 84.
- Saner, R., & Yiu, L. (2005). Swiss Executives as Business Diplomats in the New Europe: Evidence from Swiss Pharmaceutical and Agro-Industrial Global Companies. *Organizational Dynamics*, 34(3), 298-312.

- Saner, R., Yiu, L., & Søndergaard, M. (2000). Business diplomacy management: A core competency for global companies. *Academy of Management Executive*, 14(1), 80-91.
- Santos, A. S. (2012, March 2). Bluepharma aposta em Moçambique. *Expresso*. Retrieved 17-03-2013, from <http://expresso.sapo.pt/bluepharma-aposta-em-mocambique=f708679>
- Santos, F. F. M. d. (2013). The Foundation / What is the Foundation. Retrieved 09-04-2013, from <http://www.ffms.pt/en>
- Sarasvathy, S. D. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review*, 26(2), 243-263.
- Sarfati, G. (2007). *Manual de Diplomacia Corporativa: A Construção das Relações Internacionais da Empresa*. São Paulo: Atlas.
- Sarfati, G. (2009). What is a Corporate Diplomacy?. *Conference Papers - International Studies Association*, 1-24.
- Schwartzman, H. (1993). *Ethnography in Organizations*. Newbury Park, CT: Sage.
- Schweizer, R., Vahlne, J.-E., & Johanson, J. (2010). Internationalization as an entrepreneurial process. *Journal of International Entrepreneurship*, 8(4), 343-370.
- Seidman, I. (2006). *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*. New York: Teachers College Press.
- Shuy, R. W. (2003). In-Person versus Telephone Interviewing. In J. A. Holstein & J. F. Gubrium (Eds.), *Inside Interviewing: New Lenses, New Concerns* (pp. 175-193). Thousand Oaks, CA: Sage.
- Steger, U. (2003). *Corporate Diplomacy: The Strategy for a Volatile, Fragmented Business Environment*. Chichester, UK: Wiley.
- Steger, U. (Ed.). (2004). *The Business of Sustainability: Building Industry Cases for Corporate Sustainability*. London: Palgrave Macmillan.
- Steger, U. (Ed.). (2006). *Inside the Mind of the Stakeholder*. London: Palgrave MacMillan.
- Strange, S. (1992). States, Firms and Diplomacy. *International Affairs (Royal Institute of International Affairs 1944-)*, 68(1), 1-15.

- Sturges, J. E., & Hanrahan, K. J. (2004). Comparing Telephone and Face-to-Face Qualitative Interviewing: a Research Note. *Qualitative Research*, 4(1), 107-118.
- Trice, R., Hasegawa, M., & Kearns, M. (Eds.). (1995). *Corporate Diplomacy: Principled Leadership for the Global Community*. Washington, D.C.: Center for Strategic & International Studies.
- UNCTAD. (2012). World Investment Report 2012: Towards a New Generation of Investment Policies. Switzerland: United Nations.
- Vance, C. M., & Paik, Y. (2006). *Managing a Global Workforce: Challenges and Opportunities in International Human Resource Management*. London, England: M. E. Sharpe.
- Vernon, R. (1966). International Investment and International Trade in the Product Cycle. *Quarterly Journal of Economics*, 80(2), 190-207.
- Vernon, R. (1971). *Sovereignty at Bay*. New York: Basic Books.
- Vinho, E. d. (2012, October 17). Delta Cafés Renova Imagem a Pensar na Internacionalização. *Revista Essência do Vinho*. Retrieved 01-04-2013, from <http://www.essenciadovinho.com/pt/revista-wine/read/235-delta-cafes-renova-imagem-a-pensar-na-internacionalizacao>
- Waltz, K. N. (1979). *Theory of International Politics*. Reading, Massachusetts: Addison-Wesley.
- Watkins, M. (2007). The Rise of Corporate Diplomacy (Finally!). *Harvard Business Review Network Blog*. Retrieved 08-11-2012, from http://blogs.hbr.org/watkins/2007/05/the_rise_of_corporate_diplomac.html
- Welch, L. S., & Luostarinen, R. (1988). Internationalization: Evolution of a Concept. *Journal of General Management*, 14(2), 34-55.
- Yeung, H. W.-c. (2004). Strategic Governance and Economic Diplomacy in China: The Political Economy of Government-linked Companies from Singapore. *East Asia: An International Quarterly*, 21(1), 40-64.
- Yin, R. K. (1981). The Case Study Crisis: Some Answers. *Administrative Science Quarterly*, 26(1), 58-65.
- Yin, R. K. (2009). *Case Study Research: Design and Methods* (4th ed.). London: SAGE.

- Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2), 341-363.
- Zaheer, S. (2002). The liability of foreignness, redux: a commentary. *Journal of International Management*, 8(3), 351-358.
- Zaheer, S., & Mosakowski, E. (1997). The dynamics of the liability of foreignness: a global study of survival in financial services. *Strategic Management Journal*, 18(6), 439-463.
- Zippy. (2013, March 31). Zippy e ColorADD, Juntos Por Um Mundo Ainda Mais Colorido. *Zippy*. Retrieved 16-04-2013, from http://www.zippy.pt/News/Detail/zippy-e-coloradd-juntos-por-um-mundo-ainda-mais-colorido_aa43296b8356

7. Annexes

Annex 1: Sample Description

Name	Employees	Sector	Countries	Engagement
Bluepharma	298	Pharmaceutical	30 (Export)	States (ex: Health Ministries), Regulators (ex: FDA, KFDA), International Organizations (ex: WHO), <i>i.e.</i> , strong relations to governmental bodies that define the rules of the game of the marketplace.
ColorADD	3	Education	information not available	Governments (central and locals), International Organizations, NGOs and Industry Associations.
Delta	3045	Coffee	6 (IDE) 35 (Export)	Local Producers (ex: business partners), Local Communities (business climate) and Governments (especially of less developed countries).
EDP	12.000	Energy	13 (IDE)	Government Authorities (central and local), Business Partners (ex: local producers regarding the supply chain) and Local Communities (ex: training and employment, namely in the less developed countries).
Frulact	490	Food	4 (IDE) 25 (Export)	Government Authorities (central and local), Business Partners (ex: local producers regarding the supply chain) and Local Communities (ex: training and employment, namely in the less developed countries).
Galp	7241	Energy	15 (IDE)	Governmental Bodies (ex: ministers of economy and energy), Media (ex: regarding the scrutiny of the sector given their potential environmental impact) and Local Communities (ex: regarding also potential environmental impact).
Jerónimo Martins	69.000	Food	2 (IDE)	Community (ex: relation to producers), Governments (ex: Ministers of Economy and Foreign Affairs), Governmental Bodies (ex: investment agencies) and Business Partners (ex: service providers that supported this kind of venture).
Mota-Engil	26.000	Construction	19 (IDE)	Governmental Authorities (ex: central governments, city halls, etc.), Regulatory Entities (ex: licenses) and Local Communities (ex: close relation/impact to company endeavours).

Source: own elaboration.

Annex 2: Primary Sources

Name	Interviewed	Abbreviation	Position	Duration	Place	Other Sources
Bluepharma	Paulo Barradas Rebelo	BP-PBR	Founder, Chairman and Executive President	23:15	Head-Office Coimbra	Corporate Presentations: 0 Newspaper Articles: 7 Reports: 0 Videos: 2 Web Pages: 1
	André Freitas	BP-AF	Head of Business Development	1:14:32		
ColorADD	Miguel Neiva	CA-MN	Founder and CEO	41:36	Office Porto	Corporate Presentations: 1 Newspaper Articles: 7 Reports: 0 Videos: 2 Web Pages: 1
Delta	Alberto Pinto	D-AP	General Manager of International Markets	30:10	Head-Office Lisboa	Corporate Presentations: 0 Newspaper Articles: 5 Reports: 0 Videos: 0 Web Pages: 2
EDP	Miguel Setas	EDP-MS	Vice-President of EDP Brasil	59:28	Country Head-Office São Paulo	Corporate Presentations: 0 Newspaper Articles: 3 Reports: 2 Videos: 0 Web Pages: 5
	Miguel	EDP-MC	Director of Institutional Relations and	44:58	Head-Office	
Frulact	Pedro Azevedo	F-PA	Business Development Manager	37:23	Head-Office Porto	Corporate Presentations: 0 Newspaper Articles: 4 Reports: 0 Videos: 2 Web Pages: 1
Galp	Manuel Ramalheite	G-MR	Head of Advisory and Mergers & Acquisitions	52:26	Head-Office Lisboa	Corporate Presentations: 3 Newspaper Articles: 3 Reports: 0 Videos: 0 Web Pages: 1
Jerónimo Martins	Alexandre Soares dos	JM-ASS	Chairman of the Board of Directors	42:30	Head-Office Lisboa	Corporate Presentations: 1 Newspaper Articles: 6 Reports: 0 Videos: 0 Web Pages: 2
	Marta Leite	JM-ML	Member of the Managing Committee	17:17		
Mota-Engil	António Mota	ME-AM	Chairman of the Board of Directors	38:45	Head-Office Porto	Corporate Presentations: 2 Newspaper Articles: 2 Reports: 1 Videos: 0 Web Pages: 2
	Isabel Peres	ME-IP	Executive Member of the Board of Directors	38:25		

Total Time	08:20:45
Total Number	12

Total	68
Corporate Presentations:	7
Newspaper Articles:	37
Reports:	3
Videos:	6
Web Pages:	15

Source: own elaboration.

Annex 3: Description and Justification of the Firms

Bluepharma

Bluepharma is a pharmaceutical company, located in Coimbra, which began its activity in 2001, following the acquisition, by a group of professionals connected to the sector, of a former industrial unit that belonged to the German multinational Bayer, after the decision to close its operations in Portugal. Currently Bluepharma produces drugs for their own brand and for other firms, carries out research and development together with drugs registration, and also markets generic drugs (Bluepharma, 2013).

Bluepharma work has been increasingly recognized, especially in recent years, with multiple awards, ex: COTEC 2012, INSEAD 2012, PME Excelência 2013, etc., (Bluepharma, 2013), which explains its wider international presence, covering the world map from Australia to North America, from Europe to Latin America, alongside Asia and Africa (Lusa, 2012a), opening this year its first branch in Mozambique (Santos, 2012). To date it deals with approximately 30 countries, with more emphasis in Europe, United States of America, Southeast Asia and Latin America, where foreign markets represent around 70% of its total sales, with about 52 products currently on the shelf (Rebelo, 2012b).

The networks area is also a very important element in the development strategy of Bluepharma, namely its connections to universities (ex: University of Coimbra) and other corporate networks (ex: COTEC). In the words of its founder and CEO, Paulo Barradas (Rebelo, 2012a), they believe that today's success is not held in *secrecy* but in *sharing* the business.

Given all of the above, the main stakeholders (national and foreign) that can be linked to Bluepharma, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constrains are: the State (*e.g.* Health Ministries), Regulators (*e.g.* FDA, KFDA), International Organizations (*e.g.* WHO), *i.e.*, strong relations to governmental bodies that define the rules of the game of the marketplace.

ColorADD

ColorADD is a micro company founded in 2008, following the work developed in a master thesis dissertation on design and marketing in University of Minho (School of Engineering) by its founder and CEO, Miguel Neiva. It concerns colour-blind people (approximately 350 million worldwide) and their inability to identify colours in day-to-day life situations, subsequently creating a universal graphic code (Neiva, 2011).

A highly innovative solution, with only 3 symbols representing the basic colours (red, yellow and blue), besides black and white, and then through its multiple variation by addition (like using watercolours), it is possible to have a graphic representation of all the colours, anywhere that they are present, ranging from simple colour pencils identification to clothing labels or transportation information systems (ColorADD, 2013).

Since the first day ColorADD has provided a great deal of attention to the subject of social responsibility, concerning integration, welfare, etc., its mission being well illustrated in their message “Color Should Be For All” (ColorADD, 2013).

This endeavour has been increasingly recognised around the world, from Australia to Europe or Latin America, stretching from the scientific community and design experts to colour-blind associations and corporations. It has taken its CEO around the world on a constant roadshow in hundreds of forums in recent years, ranging from the smallest classrooms of a primary school to powerful international organizations (ColorADD, 2013).

ColorADD relies heavily on social networks (namely Facebook) to communicate. These tools play a key role in its strategy to promote the project worldwide, through word of mouth, and in doing so getting people interested and involved in the concept, especially in the area of education.

The business side, alongside the internationalisation process, is beginning to pick up (Lusa, 2012b), after the initial global spread of the concept, by using Portugal as a real case scenario for the application and range of the idea in several industries such as school material or fashion (Zippy, 2013), and organizations namely the Portuguese government (Portugal, 2013), before going abroad to tackle bigger corporations and organizations.

The revenue sources come from licensing the graphic code to businesses that wish to incorporate it in their products/services, where the value is calculated according to the dimension of the counterpart (ColorADD, 2013). They have stated that in the area of education there is no business associated due to an original policy of ColorADD - which follows the social responsibility backdrop of the project. This, nevertheless, also helps the business side due to its growing presence and consequently alerting other actors, namely corporations, to the social imperative to incorporate this new form of communication in the value chain (Zippy, 2013).

Given all of the above, the main (foreign and national) stakeholders that can be linked to ColorADD, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Governments (central and locals), International Organizations, NGOs and Industry Associations.

Delta

Delta is part of the international business group Nabeiro, founded in 1961, which has business in real estate, industry, services, hotels/restaurants, agriculture and distribution. Its core business is the production and distribution of coffee, and since 1984 it has been the market leader in Portugal in relation to pure sales and the hotel, restaurant and cafe sector, alongside coffee capsules for domestic coffee machines that it also produces (Delta, 2013a).

The internationalisation process began with Spain (the most important foreign market) in the 80s, then France, Luxemburg, Angola (where it has a production unit) and more recently Brazil. Foreign sales represent about 25% of the business, operating approximately in 35 countries, through exports (representatives and distributors), alongside a distribution network that covers the world map (Delta, 2013a). They have very recently standardized the brand image aiming to expand their international presence in Europe and in Asia (Vinho, 2012).

Special attention is given to all the stakeholders with whom it interacts (market and non-market related), ranging from local producers to NGOs, covering subjects such as infra-structures, education, human rights, citizenship, fair trade, environment, etc., through sponsoring, support, volunteering, associations, amongst others. Their corporate policy is grounded on the principles of honesty, integrity and transparency

(Delta, 2013a, 2013b). It is in the company's DNA, in their operations at home and abroad.

Operations in East-Timor are a perfect example of Delta engagement with foreign business environments (policy later extended to Angola and Brazil) (Delta, 2013b). In this case in particular, the country faced challenges due to the fact that it had just come out of a long armed conflict and, for a long time, had not been in contact with any kind of foreign business actors (Delta, 2013a).

The involvement went far beyond the exploration of coffee plantations. It meant engaging with local communities and producers, enabling them through granting access to knowledge and tools, promoting the industry in association with the government, among other initiatives. This endeavour was branded as "A Coffee for Timor" (Delta, 2013a).

Given all of the above, the main (foreign and national) stakeholders that can be linked to Delta, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Local Producers (*e.g.* business partners), Local Communities (business climate) and Governments (especially of less developed countries).

EDP

EDP Group was founded in 1976, resulting from the merger of several companies in the Portuguese energy sector. Its main activities are the generation, supply and distribution of electricity as well as the supply and distribution of gas. It is now the largest Portuguese industrial group and the 3rd largest producer of wind energy. It is the leader in the energy sector in Portugal and one of the largest operators of the Iberian Peninsula (EDP, 2013a).

Today the company is present in several international markets - Spain, France, Belgium, Poland, Romania, United States, Brazil, Italy, UK, China, Angola and Canada - however its main operations are located, besides Portugal, in Brazil (EDP Brasil), their international flagship, where the renewable energies segment (EDP Renováveis) is also located (EDP, 2013a). Currently markets like Asia and Latin America are being looked to as future endeavours (EDP, 2013e).

EDP gives great deal of importance to the integration of the stakeholders in their business strategy, due to the great impact of its activity on society. It is the only company in Portugal to have a specific entity that supports the executive board of directors, since 2012, for these issues - *Institutional Relations and Stakeholders Department*. In the eyes of the corporation the stakeholder is considered to be “all and any agent with influence and being influenced by the company activities, in a direct or indirect way” (EDP, 2013b).

This department’s mission is therefore to ensure an “integrated and consistent narrative for the group, in line with the vision and strategy adopted (...) within the different geographies where operates” (EDP, 2013b), in line with the vision of its CEO (António Mexia) that states “[o]rganizations can only operate efficiently when all stakeholders are involved and share the essential elements of the same vision and objectives”(EDP, 2013d).

According to EDP, its stakeholder universe includes the following actors (which can also be represented in a matrix of importance to society vs. to business): employees, customers, suppliers, NGOs, media, investors, local communities, regulators/governmental institutions, academia, opinion makers, etc. (EDP, 2013b). The Foundations of the group are a strategic tool of engagement in this field, in Portugal (EDP Foundation), Spain (HC Foundation) and in Brazil (EDP Institute), which reflect the major markets where EDP operates and therefore have a greater impact on the surrounding environment (EDP, 2013f).

Given all of the above, the main (foreign and national) stakeholders that can be linked to EDP, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Regulators (namely of the energy sector), Governmental Bodies (*e.g.* ministers of economy and energy), and Local Communities (*e.g.* proximity to production facilities)

Frulact

Frulact is a food industry group, specialized in fruit processing, located in Maia (Porto), which began its activity in 1987. Today, it embodies a success story of a small family business that became a multinational company leader in the N.A.M.E. (North Africa and Middle East) market and in the highest-ranking positions of the Iberian market.

Frulact has acquired a privileged relationship with major international players of the sector (Danone, Nestlé, etc.), the basis of its success being its focus on the customer, commitment to quality, constant innovation and valuable human resources (Miranda, 2012).

The company has industrial facilities in Portugal - (Maia and Covilhã, the latter being recognized by the industry as one of the best in Europe) - and abroad in France, Algeria, South Africa and another two in Morocco, that besides covering the respective internal markets, also act as export providers to nearby locations (over 25 countries). In 2012 foreign markets represented about 95% of the total sales. Its strategic purpose is to gradually cover the N.A.M.E. markets and move, in the near future, to new locations, namely North (United States of America and Canada) and South America (Brazil) (Miranda, 2012).

Innovation is a cornerstone of Frulact business strategy, with over 900 product references and 2000 in raw materials, its work has been increasingly recognized through awards (e.g. COTEC Inovação - 2007) (Miranda, 2012). It is in a process of constant reinvention, with patent registrations, partnerships with universities, research centres and with their own clients, which enables its positioning as a prime mover with the ability to provide tailor-made products and competitive advantages for their clients (Miranda, 2012).

Another key aspect of the Frulact strategy is its intent to have local representatives, fully integrating the cultural idiosyncrasies of each market, and therefore becoming fully integrated in the host countries (Miranda, 2012). Their network vision is very well portrayed in the project *PortugalFoods*, an agro-food association, that was fostered, especially, by the Chairman of Frulact, João Miranda (PortugalFoods, 2013).

Given all of the above, the main stakeholders (national and foreign) that can be linked to Frulact, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Government Authorities (Central and Local), Business Partners (e.g. local producers regarding the supply chain) and Local Communities (e.g. training and employment, namely in the less developed countries).

GALP

GALP Group was founded in 1999 (however its origins remote to the 18th century) resulting from the restructuring of the Portuguese oil and natural gas sector through the merger of several companies. Today it is an energy company that finds and extracts oil and natural gas across four continents. Their activities range from exploration and production of oil and natural gas to refining and marketing oil products, natural gas marketing and sales as well as power generation. It is currently the sole Portuguese oil and natural gas integrated operator (Galp, 2013a).

The flagships of their international operations are in Brazil, Angola and Mozambique, with the recent discoveries. Nevertheless they have business in namely Spain, Brazil, Angola, Venezuela, Mozambique, Cape Verde, Guinea-Bissau, Swaziland, Gambia, East Timor, Uruguay, Equatorial Guinea, Morocco and Namibia. (Galp, 2013a).

GALP gives a great deal of importance to the integration of its stakeholders in their business strategy due to the great impact of its activity on society, identifying and monitoring them. The corporation's view of the stakeholder is "individuals or companies with which Galp Energy relates to through its business, institutional or citizenship activities, which include customers, suppliers, staff, shareholders, investors and community representatives with which Galp Energy interacts" (Galp, 2013b). According to GALP their stakeholder's universe includes the following: suppliers, customers, workers, governmental/official bodies, technical/scientific community, financial entities, media, community, resellers/distributors, shareholders and other entities (Galp, 2013a).

The broadband management perspective of GALP could be seen in 2012 when the company created the *Committee on International Strategy* following "the increasing importance that assume the activity and business of Galp Energia for the country, for the Galp Energia Group and the respective stakeholders in distant geographies and in different continents", and in 2009 with the creation of the Group's Foundation (Galp Energia Foundation) a strategic tool of engagement in this field (Galp, 2013a).

Given all of the above, the main (foreign and national) stakeholders that can be linked to GALP, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Governmental Bodies (*e.g.* ministers of economy and energy), Media (*e.g.* regarding the scrutiny of the sector

given their potential environmental impact) and Local Communities (*e.g.* also relative to potential environmental impact).

Jerónimo Martins

Jerónimo Martins is an international food group, founded in 1792, which operates in the distribution, industry and services sectors. They have a strategic partnership with Unilever since 1949. Their main activity is food distribution in Portugal, through their chain of supermarkets (*Pingo Doce*, their flagship company and market leader) and cash & carry (*Recheio*), and local food stores (*Biedronka*) in Poland and Colombia (*Ara*) (Martins, 2013b).

In 1995 they began their internationalisation process due to, amongst other factors, the reduced size of the domestic market, by targeting less developed markets, beginning with Poland (where they are leaders in food retail), and then Brazil, in 1997, through the acquisition of a supermarket chain (*Sé*), however that only lasted until 2002 due to poor results and most recently, in 2013 it expanded to Colombia (Lusa, 2013). Foreign markets represented approximately 60% of its total sales in 2012 (Martins, 2013b).

The strategic positioning of Jerónimo Martins has 3 pillars: creating value, sustainable development and corporate responsibility, the last being directly related to its stakeholder's universe that the organisation identifies as: customers/consumers, NGOs/associations, journalists, shareholders/potential investors, collaborators, vendors/business partners/service providers and official bodies/oversight agencies/local government (Martins, 2013a).

Their goals are to incorporate social and environmental concerns in the value chain of the organization, for example, by supporting the surrounding communities by buying at local level (Martins, 2013b). Other actions can also be related to the strategic positioning of Jerónimo Martins, which are not directly related to its value chain, such as the creation of a foundation (Francisco Manuel dos Santos Foundation) in 2009, its mission being to “study, disseminate and debate Portugal's situation freely and independently” (F. F. M. d. Santos, 2013).

The need to address the surrounding environment is very clear in the case of Jerónimo Martins, as it is clearly assumed to be a competitive factor, with their reputation, amongst others, being classed as an increasingly important intangible asset.

Given all of the above the main (foreign and national) stakeholders that can be linked to Jerónimo Martins, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Community (e.g. relation to producers), Governments (e.g. Ministers of Economy and Foreign Affairs), Governmental Bodies (e.g. investment agencies), Business Partners (e.g. service providers that support this kind of venture).

Mota-Engil

Mota-Engil group was founded in 1946 initially as a simple construction company. Today its activities spread from engineering and construction to environment and services, transport concessions and mining, alongside strategic holdings. It is the leader in Portugal in the construction sector, port operations and waste management, and in the top 30 of the largest European construction groups. The key to its success is based on the tripod quality, competitiveness and innovation, in a diversified and international vision of the global market (Mota-Engil, 2012).

The international presence of the company began in the same year as its birth, with the opening of a branch in Angola. Currently it has four geographic poles (Portugal, Central Europe, Latin America and Africa), representing operations in 19 countries, which represent over 60% of its revenues (where operations in Portugal provide key background support to these endeavours), with a strategy of sizing market opportunities following structural changes in the world such as the opening of Eastern Europe and the blossoming of Latin America, with the support of complementary strategic partnerships (Mota-Engil, 2012).

Mota-Engil views the stakeholder's dynamic as "a complex task that requires a process of monitoring and ongoing improvement within a framework of openness and of closer relations" (Mota-Engil, 2011), which implies regular engagement in order to take notice and incorporate their concerns in the company's activities. Following that acknowledgment the group identifies the subsequent actors: employees, customers, suppliers, public entities, universities, associations, business partners, investors, NGOs, financial entities, insurers, media, legal and regulatory entities, local communities, local authorities, etc. (Mota-Engil, 2011).

The Group's Foundation (Manuel António Mota Foundation) represents a strategic tool of engagement in this area, alongside other in-house mechanisms, its mission being to "contribute to the integrated development of the communities where Mota-Engil exerts its activity in Portugal and abroad, in particular in the social, cultural, education, training and environmental." (Mota, 2013).

Given all of the above, the main (foreign and national) stakeholders that can be linked to Mota-Engil, and therefore are more predisposed towards the engagement of business diplomacy to overcome international business constraints are: Governmental Authorities (*e.g.* central governments, borough councils, etc.), Regulatory Entities (*e.g.* licenses) and Local Communities (*e.g.* close relation/impact to company endeavours).

With this sample, the final goal is to unveil business practices of the day-to-day operations of firms that are related to business diplomacy and understand how they view this as a tool to manage and overcome international business constraints.

Annex 4: Interview Guide

Grupo 1: Introdução

Pergunta: Concorda com a avaliação de que o papel das empresas na sociedade, em particular as de âmbito internacional, tem evoluído de forma significativa nas últimas décadas?

Objetivo: *Aferir como a empresa se vê na sociedade, as suas responsabilidades para além do produto/serviço prestado, no país de origem e além fronteiras.*

P: Essa responsabilidade acrescida acarreta novos e crescentes desafios, para além das atividades de base da empresa. Como é que a empresa incorpora isso na sua estratégia global?

O: *Pretende-se aferir de que modo a empresa se posiciona face a este novo papel social.*

Grupo 2: Stakeholders

P: Para além dos acionistas, entende-se que hoje a empresa responde perante um grupo mais alargado de atores, designados de *stakeholders*, por exemplo, organizações não governamentais, associações de consumidores, analistas, sindicatos, media, ativistas, reguladores, etc. A vossa empresa revê-se neste novo ambiente económico multifacetado?

O: *Pretende-se aferir quais os stakeholders relevantes no seu universo.*

P: A vossa empresa considera relevante, para o sucesso do negócio, nesta sociedade global, a necessidade de integrar estas diversas e novas dimensões na vossa estratégia empresarial, *i.e.*, uma atitude/cultura para além da oferta do melhor produto/serviço ao melhor preço?

O: Pretende-se aferir qual a importância atribuída pela empresa ao ambiente multifacetado em que opera.

P: Existe algum grupo de atores com quem a vossa empresa se relacione particularmente em algum mercado internacional? Se sim, como se caracteriza essa ligação? Têm em conta as suas expectativas e/ou exigências?

O: Pretende-se aferir relativamente a ou vários stakeholders, efetivamente o tipo de relação que a empresa tem e como lhe(s) responde.

Grupo 3: Organização Interna

P: Tem-se formado a ideia de que os líderes das empresas são hoje os principais embaixadores destas além fronteiras. Concorda com esta visão e a vossa empresa revê-se nela?

O: Pretende-se aferir qual o papel dos dirigentes máximos na promoção da empresa/marca da empresa, numa visão para além do simples produto/serviço, isto é, o que a empresa representa, os seus valores, a sua missão, etc.

P: Como é que se processa, no seio da empresa, a gestão deste tipo de desafios? Existe alguma direção responsável por estas matérias, é através da administração, e quanto à resposta é de âmbito local, mercado a mercado, ou é transversal/global?

O: Pretende-se aferir, na relação com os stakeholders, que tipo de orgânica interna lida e como responde face aos mesmos.

Grupo 4: Internacionalização

P: Nos processos de internacionalização da empresa, e da subsequente gestão das operações além fronteiras, é relevante a necessidade de identificar e gerir os atores, referidos anteriormente, para além daqueles diretamente relacionados com a cadeia de valor da empresa?

O: Pretende-se aferir, agora em particular em contextos internacionais, qual a importância atribuída pela empresa ao ambiente multifacetado em que opera.

P: Até que ponto esse ambiente e respetivos atores são relevantes na condução das operações e nos resultados obtidos, e o seu peso varia conforme os diferentes mercados?

O: Pretende-se aferir qual o peso atribuído pela empresa na necessidade de ter em conta os diversos agentes relacionados e não-relacionados com o mercado.

Grupo 5: Diplomacia Empresarial

P: Se caracterizarmos a *diplomacia empresarial* como uma prática de gestão, que tem como objetivo gerir estrategicamente o universo de *stakeholders* da empresa, de forma a garantir um ambiente de negócio favorável interna e externamente, aumentando o nível de transparência, almejando uma ligação de cumplicidade e de longo prazo, do tipo soma positiva, entre outros propósitos, poder-se-ia dizer que a vossa empresa se reflete nesta práxis?

O: Pretende-se aferir, depois da contextualização do tema de investigação, se a *diplomacia empresarial* faz algum sentido para empresa, i.e., se se identifica com ela na medida de já existir essa prática ainda que de forma não-institucionalizada.

P: Partindo do pressuposto anterior, i.e., da existência dessa práxis ainda que de forma não-institucionalizada, quais as principais barreiras que a diplomacia empresarial ajudou a ultrapassar no processo de internacionalização? De que forma criou condições mais favoráveis?

O: Pretende-se aferir qual o papel que a diplomacia empresarial pode representar como ferramenta para ultrapassar estas barreiras, i.e., estatuto de estrangeiro e/ou de fora da rede de relacionamentos que constituem o mercado, a par da falta de conhecimento local/experimental, etc.

P: Poderá a prática da diplomacia empresarial auxiliar, nas operações internacionais, a diminuir as atitudes suspeitas ou negativas intrínsecas às empresas estrangeiras, bem como receio de ordem social de forma a granjear uma relação mais empática, ultrapassando assim conflitos e gerando recompensas futuras?

O: *Pretende-se aferir qual o papel que a diplomacia empresarial pode representar como ferramenta para ultrapassar estas reservas intrínsecas face a agentes não-nacionais.*

P: Poderá a prática da diplomacia empresarial auxiliar, nas operações internacionais, a diminuir os custos intrínsecos de fazer negócios no estrangeiro *vis-à-vis* as empresas locais, *i.e.*, *dirimir o seu estatuto de estrangeiro*?

O: *Pretende-se aferir qual o papel que a diplomacia empresarial pode representar de forma a diminuir os custos associados à condição de agentes económicos externos.*

P: Poderá a prática da diplomacia empresarial auxiliar a colocar a empresa na arena internacional e assim promover e advogar os seus interesses junto dos principais atores internacionais, quer os relacionados, quer os não diretamente relacionados com o mercado?

O: *Pretende-se aferir qual o papel que a diplomacia empresarial pode representar como ferramenta para dar à empresa uma dimensão internacional e assim promover os seus interesses junto dos mais variados órgãos internacionais (ex: WTO, ILO, etc.).*

Annex 5: Letter of Request

Rui Manuel Ribeiro Monteiro

(morada)

Nome da Empresa

A/C Exmo(a). Senhor(a).

Morada

Código Postal

Porto, ____ de _____ de 2013

Assunto: Universidade do Porto - Faculdade de Economia - Projeto de Investigação

Exmo(a). Sr(a). _____,

A Faculdade de Economia da Universidade do Porto (FEP) está atualmente a desenvolver um projeto de investigação, orientado pela Sr.^a Prof.^a Doutora Raquel Meneses, no âmbito de uma tese de dissertação do Mestrado em Economia e Gestão Internacional.

O trabalho em causa tem como objetivo proceder a uma análise, junto de um conjunto de empresas, relativamente às suas dinâmicas internacionais, em relação à gestão dos atores com quem se relaciona, sendo o título do mesmo *Managing International Business Constrains Through Business Diplomacy*.

Deste modo pretende-se avaliar as práticas diplomáticas empresariais de um grupo de empresas portuguesas, que pressupõem um conjunto de atos de gestão com vista a gerir,

ultrapassar e/ou minimizar os obstáculos intrínsecos aos processos de internacionalização.

No seguimento de um trabalho prévio de pré-seleção a (*nome da empresa*) foi identificada como uma empresa relevante no que concerne a este projeto de investigação, pelo que venho muito respeitosamente solicitar a vossa valiosa colaboração através da realização de uma entrevista.

Em virtude dos prazos relativamente estritos do projeto, muito agradeço uma resposta até __ de _____ de 2013, ficando desde já disponível para a data que julgarem mais adequada para a entrevista.

Para qualquer esclarecimento e contactos futuros poderão utilizar o e-mail ou o contacto telefónico da orientadora do projeto, Sr.^a Prof.^a Doutora Raquel Meneses (raquelm@fep.up.pt; *telemóvel*), ou do autor, Rui Manuel Monteiro (110432017@fep.up.pt; *telemóvel*).

Sem outro assunto de momento, subscrevo-me com elevada consideração.

Rui Manuel Monteiro

Annex 6: Secondary Sources

Web Pages	
1	Bluepharma
2	ColorADD
3	Delta (Brasil)
4	Delta (Portugal)
5	EDP (Sobre Nós)
6	EDP (Centro Corporativo)
7	EDP (Parceiros - Mensagem do CEO)
8	EDP (Parceiros - Conceito)
9	EDP (Sustentabilidade)
10	Frulact
11	Fundação Manuel António da Mota
12	Fundação Manuel Francisco dos Santos
13	Galp Energia
14	Jerónimo Martins
15	Mota-Engil

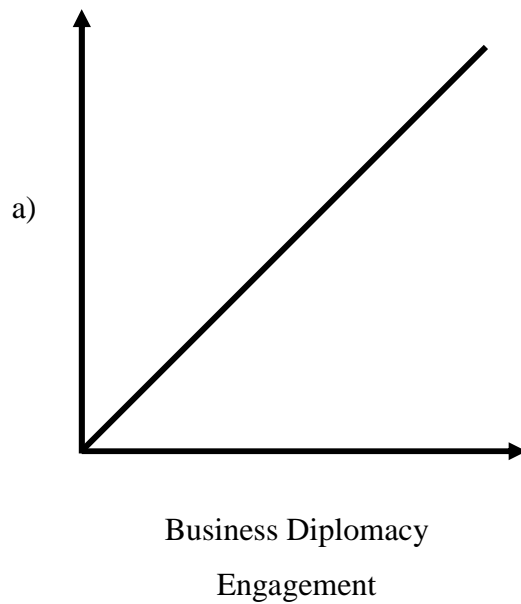
Corporate Presentations	
1	Apresentação Corporativa (Jerónimo Martins)
2	Apresentação do Grupo (Mota-Engil)
3	Apresentação ME- Indústria e Inovação (Mota-Engil)
4	Brochura (ColorADD)
5	Código de Ética (Galp)
6	Exploração & Produção: Informação para Jornalistas (Galp)
7	Um Operador Integrado de Energia (Galp)

Video/Audio	
1	Miguel Neiva SMDay PT 2001 (ColorADD)
2	Portugal de Marca (Frulact)
3	Prémio PME Inovação COTEC-BPI (Bluepharma)
4	Programa Projecto Empresa (Bluepharma)
5	Seminário MEGI: Pedro Miranda (Frulact)
6	TEDxO'Porto - Miguel Neiva (ColorADD)

Reports	
1	Relatório de Sustentabilidade 2011 (Mota-Engil)
2	Relatório e Contas 2011 (EDP)
3	Relatório SDC - Relacionamento da Empresa 2010 (EDP)

Newspaper Articles	
1	Ano Lectivo 2012/2013 Já Inclui Código ColorADD Para Alunos Daltónicos (ColorADD)
2	Biblioteca ColorADD - Uma História Inclusiva (ColorADD)
3	Bluepharma Avança Para Mercados dos EUA e Venezuela (Bluepharma)
4	Bluepharma Negoceia Parceria Para Mercado Chinês (Bluepharma)
5	Bluepharma Prevê Expansão Para Alemanha e Estados Unidos (Bluepharma)
6	Bluepharma Vence Prémio PME Inovação COTEC 2012 (Bluepharma)
7	Cavaco Parte Hoje Para a Colômbia (Mota-Engil)
8	ColorADD - Zara, Swatch e Lego Com Código de Cores Para Daltónicos (ColorADD)
9	ColorAdd, O Código de Cores para Daltónicos (ColorADD)
10	ColorADD, O Código Para Daltónicos Já Tem Uma App (ColorADD)
11	Delta Cafés Adota Marca Única Para 35 Países (Delta)
12	Delta Cafés Renova Imagem a Pensar na Internacionalização (Delta)
13	Delta Quer Pôr Mais de 30 Países a Beber Café (Delta)
14	Design do Dia-a-Dia, A Poluição dos Códigos Visuais (ColorADD)
15	EDP Escelsa Inaugura "Bairro Solar" no Município da Serra (EDP)
16	EDP no Brasil Está Entre as Melhores Empresas em Desenvolvimento Humano ... (EDP)
17	Farmacêutica Bluepharma é a Mais Empreendedora em Portugal (Bluepharma)
18	Frulact Constrói a Segunda Fábrica em Marrocos e Reforça Posição em África (Frulact)
19	Frulact Inova na Produção de Fruta (Frulact)
20	Frulact Vai Apostar no Continente Americano (Frulact)
21	Galp Energia Conta Exportar Mais de 4 Mil Milhões Este Ano (Galp)
22	Grupo Delta Cafés Lança Nova Imagem e Aposto Mais no Estrangeiro (Delta)
23	Grupo Jerónimo Martins Inicia Operação na Colômbia (Jerónimo Martins)
24	Jerónimo Martins "Instalada" na Colômbia (Jerónimo Martins)
25	Jerónimo Martins Confirma Entrada na Colômbia (Jerónimo Martins)
26	Jerónimo Martins Estreia-se na Colômbia, Ministro Aplauda (Jerónimo Martins)
27	Lojas da Jerónimo Martins na Colômbia é Marco Histórico
28	Miguel Coutinho Novo Responsável da Direção de Relações Institucionais e Stakeholders (EDP)
29	PME Líder 2012 (Bluepharma)
30	Portugal Patrocina Fábrica na Venezuela e Vende Antibióticos (Bluepharma)
31	Presidente da Colômbia Diz Que Há Química Positiva Com a Jerónimo Martins (Jerónimo Martins)
32	Presidente da Frulact: "É Com Os Jovens Que Aprendo Mais" (Frulact)
33	Presidente da Galp Considera que Energia Tem Uma Relação Ótima Com Ambiente (Galp)
34	Sem a Galp, Exportações Estariam a Crescer a Metade do Ritmo (Galp)
35	Timor-Leste: Apoio Brasileiro a Sector do Café Prestes a Terminar Primeira Fase (Delta)
36	Venho com 40 Empresários - Peru (Mota-Engil)
37	Zippy e ColorADD: Juntos por um Mundo Ainda Mais Colorido (ColorADD)

Annex 7: Moderators of Business Diplomacy Engagement



- a) Market Conditions
- a) Country of Origin Effect
- a) Sector of Activity
- a) Importance of the Culture Regarding Business Relationships
- a) Relative Corporate Dimension
- a) Level of Engagement of Firms Abroad

Source: own elaboration.